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First draft

How will NSHE react to the Nevada budget crisis?

SECTION 1: THE PROBLEM

The Nevada System of Higher Education will cut 14 percent – and possibly an additional 11 percent – from its budget in the next fiscal year due to a lack of revenue from tourist-related taxes in Nevada (2). Since the start of the new century, the U.S. economy has entered a fluctuating recession deeply affecting states all over the country. In 2008, state and private university funding has been zapped. According to a financial analysis done by the Center on Budget and Policy Priorities; Rockefeller Institute and reported by *The New York Times*, “at least 37 states and the District of Columbia have faced or are facing budget gaps totaling \$66 billion” because “most states rely on sales, income and property taxes, which are seeing a significant drop in such revenues”(1). Nevada’s gap reaches \$1.5 billion, putting more than state education at risk.

However, the affects of this budget cut on education should not be minimized. The University of Nevada, Reno is currently slated to lose at least \$31 million. The university is currently “trimming the fat,” such as the German-language department, the “free” in the tutoring center, the career development center, equestrian major and more (2). These departments are important to many Nevadans but Governor Jim Gibbons insists education be cut to make up for the state’s increasing budget gap. Nonetheless, newly appointed UNR Provost Marc Johnson told *The Nevada Sagebrush*, “We want

students to graduate. The cuts we've made will ensure that at the very least, our students can graduate" (2).

In comparison, California's budget gap is \$26 billion, almost 20 times higher than in Nevada, though the per capita difference is not that high. Governor Arnold Schwarzenegger has proposed to raise sales tax by 1.5 percent to help close the gap, while Nevada Governor Jim Gibbons refuses to raise taxes, though a similar raise in the gaming tax or a broad-based business tax would considerably close the gap. Both governors "must" cut education and state agency budgets to make their respective states fiscally solvent.

Though most cuts are tentative, secondary education first plans to cut administrative faculty members; next, higher education will cut departments and finally, the entire K-16 system will not renew contracts for some teaching faculty members. Provost Johnson also argued that halting capital improvements, such as building construction will delay cutting essential academic operations (2). If the cut mandates continue to increase as they have over the last few months, the school could suffer from much larger holes than are currently planned for the 2009-2011 biennium.

SECTION 2: WHO, WHEN AND THE WHAT NOW?

Nevada first heard about the budget problems toward the end of the spring 2008 semester. The student government, Associated Students of the University of Nevada, felt the tightening budget before anyone else as they realized they would not receive the same income as in previous years. Student publications and organizations lost much of their normal funding and ASUN was no longer allowed to expand. Next, the entire university

felt the shockwave as Gov. Gibbons began mandating cuts in ever-increasing percentages. Most state agencies won't see the amount of layoffs, department and capital cuts as higher education because higher education can lose the most with its gigantic state-funded budget and multitude of resources (Dr. Derek Kauneckis lecture: Nov. 18, 2008). Because Nevada does not have a full-time state legislature, many actors and levels of government are responsible for repairing the damage: from administrative level, such as principals, university president, deans, department supervisors and other midlevel to high-up leaders, such as Board of Regents, Chancellor Jim Rogers and Gov. Gibbons. In January and February though, the only people balancing the budget and making the actual cuts will be the Nevada legislators.

In order for the legislators to make well-informed decisions with the public in mind, they must consider other actors affected by the higher-education budget. The largest mass of actors is students K-16. Because of their sheer population – more than 17,000 students attend UNR, not to mention the hundreds of thousands of student in secondary and primary education – students are the primary benefactor (victim?) of the budget cuts' results. Students as a primary actor cause problems because many students do not know about the budget cuts or to what extent budget cuts will damage the school system. Only those directly affected appear to take notice right now: equestrian majors, marching band members, students who need tutoring, etceteras (10).

Students also have a strange support and legitimacy structure. Because students are not an organized body and represent a wide array of interests, there's no way of gauging exactly how the budget cuts will affect them or how they will react. Student affected this semester may not notice anything next semester as they shift locations on

campus, change majors or become involved in different activities. Students who attend town hall meetings or other forums – often averaging around 20 students – represent small vocal chunks of concerned students. Even these involved students admit they don't know what options are available for them to make a difference (10). Often times, active students are reactionary members of affected groups and not “common” students.

To balance this out, the Associated Students of the University of Nevada created a student government committee devoted to researching the budget and its affects on students in order to better represent them to the Board of Regents (3). This committee has the potential for finding “common” students and increasing equity throughout the body. Instead of fragmenting students, which happens naturally, this committee can defragment them. Students gain support and legitimacy because they control primary resources – tuition dollars – and because they are benefactors of those resources.

Students also gain much of their attention from the media. Many media outlets, such as the *Reno Gazette-Journal*, *San Francisco Chronicle*, *Chronicle of Higher Education*, *Las Vegas Sun*, *The Nevada Sagebrush*, National Public Radio, Public Broadcasting System and some local broadcast channels all cover the budget cuts. Also, the majority of students are represented by university officials, such as President Milton Glick, Provost Marc Johnson, Chancellor Jim Rogers, the student government, various deans and the Board of Regents. *The Nevada Sagebrush* also is one of the few media outlets looking out for students. However, their inexperience and involvement in the university and the budget crisis prevents them from looking at the issue from a particularly balanced or policy-driven perspective. Similarly, most other news outlets will not properly analyze the problems facing Nevada because they don't want to appear

biased and they don't have the public policy knowledge to competently evaluate the problem.

Administrative and legislative actors also play a large role in the budget policy. Unlike students, school administrators, regents and others directly influence the policy through official channels that end at the governor and the legislature. For example, President Glick and Provost Johnson are in charge of coordinating college and department efforts to trim areas of the UNR budget. The university answers to the Board of Regents who coordinate those efforts of all higher education facilities in the state. Chancellor Jim Rogers is the regents' spokesperson to the governor and state legislators, completing the chain of elites. These actors combine to make one legitimate source of power as administrators who bridge the gap between students and government. Together they control a great deal of resources from individual budgets and university policies to overall higher education policies and budgets. However, they are only able to control the allocation and use – to an extent – of a budget given to them by the state. They cannot control how much money they receive but only what to do with said money.

SECTION 3: WHAT'S THE DEAL?

Governor Jim Gibbons and the state legislators set the line-by-line budget and implement it. The governor mandates a particular number of dollars to be cut in order to reach fiscal solvency and the legislature complies by balancing the budget. Therefore, together the legislature and the governor are responsible for all state agencies and resources. Both gain legitimacy as popularly elected officials, though their legitimacy is

more subject to change based on public opinion. But legitimacy has no bearing on their power to make demands or changes barring impeachment.

Some peripheral actors have recently been identified by Chancellor Rogers in a letter to the Board of Regents: Autism Coalition of Nevada, St. Rose Dominican Hospitals, Coldwell Banker Q-Team Realty, Southern Nevada Water Authority, Barrick Gold Corporation and several more Nevada businesses (4, 11). These actors benefit from the externalities of a successful university system in Nevada: educated students, faculty research and other human capital. According to a 2007 alumni survey done by UNR, about 60 percent of graduates stay in Nevada, adding to the working population (12). Rogers' letters outline the importance of a successful education system in relation to the economy; he points out that regardless of budget cuts, a poor education system will only further plunder the state's economy rather than help it recover. The remainder of the memorandums comes from the above mentioned interests and from the intermountain west, a coalition of western states whose governors voiced their support and concern for Nevada's situation, urging Gov. Gibbons to reconsider the education budget cuts. Other letters follow along similar lines as the following example, outlining the importance of UNR as a training facility:

Not only does UNR faculty prepare and train specialized healthcare practitioners, but they have also played a vital role by creating and providing services for the diagnosis and treatment of autism. Equally important, UNR researchers have worked to assess the scope and impact of autism in Nevada. Qualifying the problem has allowed organizations like the Autism Coalition of Nevada to begin to find viable solutions (5).

All the actors involved cooperate for the good of education in the state. Though they disagree about how to execute certain policies, the actors are in place to work together efficiently, not battle. However, in this particular instance, most of the state

appears to be against Gov. Gibbons blanket cuts because he will not raise taxes to compensate for the budget shortfall or come up with any alternative funding initiatives. Chancellor Rogers publishes memorandums every week, outlining his disappointment in Gibbons' lack of comrpise and lack of direction or help. Recently though, Rogers has started writing about new ideas and initiatives to help the state and appears to be getting along with the governor.

SECTION 4: WHAT DO WE DO NOW?

The Brookings Institute performed a survey of the intermountain west – Nevada, Utah, Colorado, New Mexico and Arizona – regions' ability to lead the country in economic and population growth. Their analysis showed ways to partner with the federal government to further economic growth and “higher education was listed as a critical factor in building strong infrastructure” (4: 2). On Nov. 4, Chancellor Rogers sent a memo referencing several of Senator Harry Reid's compromises to blatant and drastic budget cuts. Sen. Reid said the suggested economic stimulus package does not actually stimulate the economy because it uses artificial money – money an individual did not already have or earn – to make purchases of something people don't often need. In other words, artificially inflating the economy with a bubble of money is useless once the bubble is spent and the economy returns to its original condition. Sen. Reid asked Nevada to, instead, “show ingenuity, creativity and fiscal responsibility in the use of funds” (4: 2). Chancellor Rogers wrote, the Nevada education system must play a part in “developing energy independence for new technology and resources for transportation, light and industrial rail and water sources and distribution” (4: 2). Rogers and others

agree that developing these technologies will help Nevada move ahead economically and that higher education is the place to learn, research and develop for the state's future.

Rogers also promised to work together with other states' university presidents, chancellors and governors to answer Sen. Reid's call for innovative thinking:

We will bring all the parties together for a "SUMMIT – A BRIDGE TO SOMEWHERE" in January so that the System can present Senator Reid, Governor Gibbons and the Nevada Legislature with a comprehensive analysis, along with suggested solutions on how to approach funding for NSHE, the Nevada Departments of Education, Health & Human Services, Transportation, Public Safety, and Corrections (4: 2).

As of yet, no policies have been tried as everything is still in the proposal stage. Gov.

Gibbons said in several sources that he is interested in saving higher education despite his mandated cuts and reluctance to offer suggestions. Without full-time legislators, Nevada will not know its budget fate until early 2009.

However, every week some new idea, department cut or letter comes out, changing the specifics of the education budget crisis. On Nov. 27, 2008, Chancellor Rogers delivered a press conference speech, outlining seven ways to raise or save money for the state:

1. Securitization of the tobacco fund which could immediately raise \$600 million.
2. Increase of student tuition and fees by a reasonable amount which could raise \$50 million per year. ... This is an increase of slightly over 25%.
3. Reduce certain tax loopholes which are estimated to be \$1.3 billion per year. If those abatements could be reduced by 50 percent, an additional \$600 million in local support would come into the state coffers.
4. Obtain local support from the respective county commissions for community colleges located within their communities. This could bring in \$50 to \$100 million per year, or even more, once the counties adjusted to this very necessary support.
5. Use the state's bonding capacity to partially cover the short fall to provide up to \$700 million dollars.
6. Examine the mining industry and its ability to fairly contribute to Nevada's tax base. In the last twelve months, by my calculations, foreign mining companies have taken profits from Nevada that approach \$2 billion, while paying a mere \$30 million in taxes. That equates to a tax rate of less than two percent. If mining paid taxes equivalent to the gaming industry, Nevada would raise another \$150-\$180 million.

He also discussed requesting a federal grant for \$3 billion as a form of reimbursement to Nevadans for their federal income tax. Rogers said Nevadans only receive 70 cents on every \$5 paid to the government. In short, Rogers said the government owes Nevadans (6). This plan seems problematic in light of the U.S. economy. With the country in mounting debt, low market confidence and nearly every other state in a similar situation, it is unlikely or implausible Nevada will receive \$3 billion from the federal government. Rogers admits 49 other states would love the same treatment but they don't deserve the money as much as Nevada because it faces the largest gap in the budget. The numbers, however, disagree. As stated before California is in a worse situation with higher debt per capita than Nevada.

Another idea put forward by congress earlier in the year, outlines a similar program that makes the federal government help state universities. The modified version of the Higher Education Act would treat universities like a government agency in terms of spending. All universities would be required to increase spending per year on par with the previous five years. If a university can spend their budget, the government will match spending and allow them to raise their budget need but if a university cannot spend it, the government would not provide any matching funds at all. This program is an unreliable incentive. The government's attempt to regulate higher education spending may help faltering universities during times of economic trouble but may hurt universities by capping revenue during booms in the state or federal economy. Or worse, a faltering university that cannot spend its budget will lose state and federal money, putting them where NSHE is today (7).

Some of Chancellor Rogers other ideas may work because he knows Gov. Gibbons will not allow a raise in taxes; therefore, he suggests workarounds to exploit existing loopholes, floating cash, endowment and endorsement opportunities instead. With the upcoming supermajority in the state legislature – Democrats’ 28 seats to the Republicans’ 14 in the state assembly – there’s a high chance Gov. Gibbons’ “no taxes” and other initiatives can be vetoed if all the Democrats and two Republicans vote in one direction, allowing Chancellor Rogers to push through many of his other ideas (8).

The second item on Rogers’ list – raising tuition – is a hotly contended issue among students and an economically problematic method of raising tuition. On one side, students want to save their departments, especially those in departments on the chopping block, while others don’t want to pay what they say is already too high a cost. However, UNR is one of the cheapest schools in the west insofar as tuition prices. If raising tuition, though, UNR faces the careful balance between local students who can still afford to enroll versus out of state students who might normally come to UNR instead of staying in their home state. So the question becomes: does raising tuition defeat its purpose by decreasing enrollment numbers (Dr. Derek Kauneckis: Nov. 20, 2008)?

Gov. Gibbons, however, made a valid point about the status of employment in higher education, quoted in *The Las Vegas Sun* and later re-quoted in *The Chronicle of Higher Education*:

The system of higher education currently employs 1,328 people who are paid \$100,000 or more annually. I cannot help but wonder how many Nevadans would support an income tax, or any increased taxes for that matter, to sustain those salary levels in the face of significant government spending reductions in other areas (9).

Gibbons generally accepts that higher education is an over-inflated bureaucracy and that schools should cut people and salaries, not academic departments. But when those

bureaucrats are the ones making the decisions about cuts, what does one expect to happen? Of course, many faculty and administrators are taking buyouts, hiring freezes, salary caps and raise extensions in order to help students.

For now, the ideas, the blame and the students fly around the state in confusion. Many of Rogers' ideas prove problematic though he is trying to spur the rest of the state to act, not reinvent the budget alone. Regardless of what happens, students will likely suffer in some way and the state's economy, agencies and education system will reel in reaction. But this state and UNR are more than 100 years old and have survived The Great Depression, several recessions and booms, thus, will survive this one as well.

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