
UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA

Report to the Governor's Task Force on Tax Policy in Nevada



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System Administration ✂ University of Nevada, Reno ✂ University of Nevada, Las Vegas ✂
Community College of Southern Nevada ✂ Great Basin College ✂
Truckee Meadows Community College ✂ Western Nevada Community College ✂ Desert Research Institute
Nevada State College at Henderson

UNIVERSITY & COMMUNITY COLLEGE SYSTEM OF NEVADA

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I. BACKGROUND INFORMATION

The University and Community College System of Nevada (UCCSN) is created by the Nevada Constitution (Article XI), which vests authority for governing public higher education in a Board of Regents. The Constitution further provides that the Legislature shall provide for the support of the UCCSN through direct legislative appropriations from the state general fund. The UCCSN is composed of two universities, four community colleges, a research institute, a new state college, and system administration. In addition, there is a medical school, a law school, and a dental school. The Constitution requires the Legislature to provide for the creation of UCCSN and to establish the duties of the Board of Regents. Chapter 396 of Nevada Revised Statutes embodies those responsibilities.

Budget Share

Historically, the UCCSN has received about 19% to 20% of the state general fund appropriations each year, making it the second largest state supported agency in Nevada. The sheer size of the annual appropriation to UCCSN makes any change in overall state revenues a major issue. The following table illustrates the state appropriation and share of total appropriations for the last nine biennia:

University and Community College System of Nevada Percent of State General Fund (In Millions)		
BIENNIAL TOTAL	UCCSN APPROP	% SHARE
2002 – 2003	\$717.4	18.9%
2000 – 2001	622.6	19.4%
1998 – 1999	582.1	19.7%
1996 – 1997	462.4	18.6%
1994 – 1995	388.7	18.3%
1992 – 1993	399.3	20.0%
1990 – 1991	311.2	19.3%
1988 – 1989	233.8	19.4%
1986 – 1987	196.8	20.1%

Revenue Mix

Currently, the UCCSN budget is supported by a combination of state general funds (70%), student tuition and fees (20%), and other revenues (10%). Other revenues include such items as certain federal funds, the estate tax, county funds, indirect cost recovery, and investment income.

UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA
Sources of Funds for State-supported Operating Budget
Comparison of 1999-2001 & 2001-2003

Source	Last Biennium 1999-2001	% Distribution	Current Biennium 2001-2003	% Distribution	\$ Growth
General Fund	\$622,593,759	69.58%	\$717,438,630	69.88%	\$94,844,871
Tuition & Fees	\$182,185,044	20.36%	\$207,603,509	20.22%	\$25,418,465
Estate Tax	\$55,161,085	6.16%	\$75,040,205	7.31%	\$19,879,120
Other (1)	\$34,894,461	3.90%	\$26,553,039	2.59%	-\$8,341,422
TOTAL	\$894,834,349		\$1,026,635,383		\$131,801,034

Note - (1)

Includes Medicaid reimbursement, county/federal funds, indirect cost recovery & investment income.

Student Enrollment

Student enrollment at UCCSN has grown significantly over the last ten years and is projected to increase at an even faster rate in the next ten years. Total headcount in the fall of 1991 was 63,054 students, growing to 90,080 in 2001, the last full year for which data is available, representing an average annual increase of 3.7%. In the next nine years we expect our headcount to increase to 142,137 students or an average annual increase of 4.9%.

Since many students take fewer credit hours than would be considered a full load, a measure called full-time equivalent (FTE) is used for budgeting purposes and to determine the number of faculty required to meet UCCSN's obligations to its students. The FTE measure is derived by dividing the total credit hours by 30 credits (assumes 15 credits per semester) for undergraduate and community college students and by 16 credits (assumes 8 credits per semester) for graduate students. Average annual student FTE at our institutions has grown from 30,620 in fiscal year

1991 to 48,101 last year, an annual average increase of 4.7%. We anticipate this growth rate will increase to 5.9% annually over the next ten years, resulting in 85,129 FTE by fiscal year 2011.

ENROLLMENT PROJECTIONS

Campus Enrollment Plans				Ratio: AAFTE per Headcount	Headcount Enrollment per 1000 population
Fall Term Headcount		Annual Average Full-time Equivalent (AAFTE)			
1990	61,480	1990-1991	30,620	0.4980	50
1991	63,054	1991-1992	33,544	0.5320	49
1992	65,816	1992-1993	35,131	0.5338	49
1993	65,124	1993-1994	34,672	0.5324	47
1994	65,598	1994-1995	34,903	0.5321	44
1995	68,230	1995-1996	36,584	0.5362	43
1996	74,655	1996-1997	39,601	0.5305	44
1997	78,407	1997-1998	42,013	0.5358	44
1998	82,666	1998-1999	44,199	0.5347	45
1999	88,617	1999-2000	46,809	0.5282	45
2000	87,941	2000-2001	48,101	0.5470	43
2001	90,080	2001-2002	49,627	0.5509	42
2002	96,212	2002-2003	53,371	0.5547	43
2003	102,427	2003-2004	57,303	0.5595	45
2004	107,145	2004-2005	60,356	0.5633	46
2005	111,800	2005-2006	63,977	0.5722	47
2006	117,067	2006-2007	67,616	0.5776	48
2007	123,019	2007-2008	71,682	0.5827	49
2008	129,143	2008-2009	75,945	0.5881	51
2009	135,639	2009-2010	80,474	0.5933	53
2010	142,137	2010-2011	85,129	0.5989	54

Accelerating demand for higher education is attributable to Nevada’s continuing general population increases, increases in the number of Nevada high school graduates both past and continuing, Millennium Scholarships, and new strategies to increase participation rates which are included in the new UCCSN Master Plan. These will be more fully discussed in the section on long-term needs.

Master Plan

The Board of Regents has conducted a massive effort to thoroughly study and produce a comprehensive Master Plan for Higher Education. This planning effort has spanned more than a year and a half, with a final draft plan ready to be presented to the Board of Regents at its March 2002 meeting. Official approval of the master plan should be forthcoming at the Board’s April meeting.

The master plan is an outgrowth of two statewide studies. Under the auspices of Lt. Gov. Lorraine Hunt, a report from the Battelle Memorial Institute was issued in December 2000, titled

A Technology Strategy for Nevada. This report outlined critical statewide issues related to research and workforce development which have been incorporated into the new UCCSN Master Plan. Second, at the request of the Board of Regents, the RAND Corporation conducted a major statewide study on Nevada's system of higher education, *The Road Less Traveled: Redesigning the Higher Education System of Nevada*, which contained recommendations for (1) mission differentiation among the various types of institutions in the UCCSN, (2) improving access across all levels of education and all ethnic groups – especially given the estimated increases in underrepresented groups and overall population growth in Southern Nevada, (3) value-added measurements of student learning, and (4) financing reforms. The RAND report was issued in January 2001 and was the basis for several planning workshops held by the Board during the first six months of 2001.

The master plan, as currently drafted, also reflects substantial input from the Western Interstate Commission on Higher Education (WICHE). WICHE requested to participate in the UCCSN's planning effort because of its belief that Nevada can serve as a model for change and adaptability to rapid demographic movement that will ultimately influence the other western states.

After examining all of the inputs from external sources and gathering data on trends in Nevada, the Board of Regents circulated a draft of the master plan to government, community, and business leaders as well as faculty, staff, and students. The latest revision of the plan reflects a broad consensus about where higher education should be headed in the next decade. The master plan now contains 6 primary goals that are supported by overarching principles as well as measurable targets for each goal. The six goals included in the plan are as follows:

- ✍ Goal 1: Through instruction, research, and service, higher education in Nevada will be an essential element in developing and sustaining a strong, dynamic, knowledge-based economy for Nevada.
- ✍ Goal 2: Nevada's system of higher education will provide consistently excellent learning experiences for its students through instruction, research, and service.
- ✍ Goal 3: Nevada's system of higher education will increase the overall participation and success of Nevadans enrolling in higher education at all levels of education and in all ethnic groups.
- ✍ Goal 4: Nevada's system of higher education will provide programs and services that address the unique educational needs of a highly diverse and non-traditional population.
- ✍ Goal 5: Higher education will increase its partnerships with the K-12 system to provide the cooperative delivery of education from pre-kindergarten through graduate education (P-16).
- ✍ Goal 6: Higher education in Nevada will be instrumental in advancing society's objectives and enriching the lives of Nevada's citizens.

At the same time as the final plan is being approved by the Board of Regents, ongoing work is continuing in order to effectively implement the goals and targets contained in the plan. Chief among these are:

- ☞☞ An accountability plan for student assessment and learning outcomes.
- ☞☞ An improved method of academic program evaluation.
- ☞☞ Standards for the location of future UCCSN sites around the state.
- ☞☞ Examination and implementation of internal efficiencies that can be implemented for little or no cost.
- ☞☞ Revised physical master plans for each institution that correspond to the goals of the System Master Plan.
- ☞☞ Development of internal policies that ensure the principles of mission differentiation stated in the plan.
- ☞☞ Recommendations for an appropriate level of student tuition and fees.
- ☞☞ Funding scenarios for three potential enrollment plans.
- ☞☞ A plan for additional need-based financial aid.

As noted above, the top master plan goal is a realization that Nevada's economic future is inextricably bound to UCCSN's success. New businesses, expanded businesses and development of new business opportunities in this state will depend on Nevada's ability to develop trained workers, be it manufacturing, business leaders and bankers or doctors and scientists. The Master Plan will focus on those and related issues and set targets to achieve the goals.

Funding Formula

Public higher education in Nevada is primarily supported by legislative appropriation and student fee revenues. In order to distribute that appropriation fairly to the various institutions within the system, the Legislature relies on a formula. Nevada's formula, like many states, uses student enrollment as the major driver, which allows state funds to track enrollment growth, but through student/faculty ratios also helps identify the cost of providing services to those students. Other major drivers within the formula include square footage of facilities and acreage of developed land maintained.

In 1999, the Legislature commissioned a major study to review and update the Nevada higher education funding formula. The recommendations of that study, which were directed toward achieving funding equity among campuses, have been employed to develop the current biennial budget for UCCSN.

Historically, Nevada has never been able to fully fund the budget formula. The formula identifies the cost of providing full educational services to the student body of each institution but the Legislature has never found enough state money to completely fund the cost generated by the formula calculation. In the current year, the formula is funded at 81.55% of full funding and next year that falls to 80.29%. This means that the costs identified throughout each campus budget are reduced to these percentages and if, for example, an institution has increased student instruction needs it would have to accept an even lower funded percentage in other areas of the

budget such as student services, operation and maintenance of plant and institutional support. The Legislature did grant UCCSN the flexibility to determine those internal allocations.

II. IMMEDIATE NEEDS

As the state of Nevada looks forward and contemplates the state resources that will be necessary to address current problems and future responsibilities, a number of issues in higher education arise that need to be highlighted. Although the Legislature provided the best budget outcome possible for UCCSN in the 2002-2003 biennium within limited resources, there are several areas of concern as we move forward. These include:

Estate Tax

The Economic Growth and Tax Relief Reconciliation Act of 2001, which was adopted by the Congress and signed by the President, will eliminate the state share of the estate tax within four years. Although this reduction is phased in, we expect tax collections for Nevada to decrease more rapidly, since the amount excludable from the estate is also increased from \$675,000 to \$1,000,000 starting in calendar 2002. The exact amount of tax loss cannot be forecast, however UCCSN has historically averaged \$13 to \$14 million annually and K-12 has received a like amount. Within four years this income will entirely disappear. Under state law UCCSN is required to place its estate tax receipts in an endowment until a specific threshold is reached. That threshold has been reached and has allowed the Legislature to require spending from this source to exceed current income.

In the current biennium, UCCSN is programmed to spend nearly \$38 million each year from the Estate Tax Endowment, which will undoubtedly exceed income to the account. These expenditures are for legitimate ongoing needs of UCCSN that have not been funded by state appropriation and include student financial assistance, research grants, technology, the dental school, law school clinic, and certain state formula costs such as equity funding and hold harmless allocations. Although the annual tax loss from the elimination of the estate tax may only be \$13 million to \$14 million for UCCSN, the budget expenditure impact is currently \$38 million each year. Spending at this rate for another biennium will likely exhaust the endowment entirely and violate state law, which requires a balance sufficient to produce \$2.5 million annually in income. Attached is a schedule detailing estate tax expenditures over the last several biennia (Attachment A).

Funding Level

The final state revenue forecast developed by the Economic Forum on May 1, 2001 required the Governor and the Legislature to devise a means to reduce the original Governor recommended budget by some \$87 million over the two-year budget window (FY 2002 and FY 2003). Higher education, being one of the largest segments of the state budget, was asked to take a significant reduction. The reduction was accomplished by changing the amount of the formula budget funded from approximately 85%, as the Governor had originally recommended, to 81.55% in FY 2002 and 80.29% in FY 2003. This reduction forced several campuses into a position of having

fewer resources available in each of the next two years than their existing adjusted base budget. That is, they were thrust into what is called a “hold harmless” situation.

Under the new funding formula approved by the Legislative Study, an institution that would receive fewer resources under the formula than their current budget adjusted for known obligations – such as movement on the salary schedule for existing employees and new facilities – were to be held harmless for up to two biennia. Unfortunately, the Legislature did not have sufficient resources to fund the cost of the hold-harmless provision, so that expense was allocated to the estate tax fund. We also found that at the 85% funding level first proposed by the Governor, hold-harmless issues were almost non-existent, and that 85% or more is the minimal funding level required to prevent our institutions from moving backward rather than forward. Funding above the hold-harmless threshold is necessary to insure some new resources are available to the campus to address growing enrollments and additional student demands. Reductions implemented by the Legislature to change the funding levels to 81.55% and 80.29% in this biennium amounted to approximately \$20 million in FY 2002 and \$22 million in FY 2003. The added costs to fund the formulas at 100% are approximately \$83 million in FY 2002 and \$92 million in FY 2003. UCCSN’s current need lies somewhere between the 85% and 100% levels.

Equipment

The new funding formula includes provisions for replacement equipment for existing positions and the initial equipment set-up required for new positions. When the formula is funded at less than 100% however, institutions frequently have to choose between equipment purchases and other necessary expenses. The new formula does not include funds for other essential equipment needs such as specialized equipment, major technology hardware and software, laboratory equipment, and maintenance equipment. UCCSN has historically relied on special or one-shot Legislative appropriations for these needs. Below are recent appropriation levels UCCSN received for these purposes:

<u>Session</u>	<u>Purpose</u>	<u>Amount</u>
2001	Computer Hardware & Software	\$2.5 million
1999	Technology Equipment (estate tax)	\$4.5 million
1997	General Equipment, Technology Upgrades	\$17 million
1995	General & Technology Equipment	\$20 million

Special appropriations to UCCSN for unmet equipment needs have fallen behind in recent sessions. In order to insure availability of funds, UCCSN must request an allocation for equipment as a regular, ongoing budget item. We are in the process of compiling this request for the 2003 session but would expect it to exceed \$20 million each biennium.

III. LONG-TERM NEEDS

Master Plan

Implementation of the UCCSN Master Plan for Higher Education in Nevada will rely on the efficient use of existing structures and institutions. The UCCSN is committed to reexamining all operations so that the most effective and efficient use is made of every available human, financial, and physical resource. Nevertheless, over the next decade Nevada's economy will require thousands more graduates of the universities, state college, and community colleges every year. The current capacity and funding of the University and Community College System of Nevada is incapable of meeting the increased needs for college-educated workers in the long term. Without reform, the state will become even more dependent on individuals trained outside the state. All youth and adults in Nevada should have the opportunity to gain the postsecondary education they need for a bright economic future. A vibrant state economy in the future will also depend on improving the research capacity of the state's universities and research institute, a capacity that builds new enterprises and attracts high-paying jobs to the state.

Nevada has a choice to make. It can continue funding its higher education system at the present level, thus constricting access even more in the face of intense growth and widening diversity. If Nevada can only fund higher education at roughly its current level, adjusted for inflation, its statewide college-going rate would be reduced from its already low 40 percent to 25 percent. This not only would place Nevada at less than one-half the college-going rate of other western states participating in the Western Interstate Commission on Higher Education (WICHE), it also would place Nevada below almost all developed countries *in the world*. In reality, participation would not decline to this level, because many students would likely look to colleges and universities in other states to attend, but the resulting "brain drain" would create other long-term problems for the state. Thus, attention to growing access to match population growth must necessarily remain a strong focus of any master plan for higher education in Nevada.

Without a significant growth in resources for higher education:

- ✍✍ There will be a growing gap between the number of college graduates needed and the number that will be produced.
- ✍✍ There will also be a gap in the needs of the economy and the research capacity of the universities.
- ✍✍ There will be a widening gap in opportunity in which the poor fall further behind the educational opportunities and accomplishments of wealthier students. We can increase support to accommodate the demographic explosion without broadening opportunities for thousands who are underserved, drop out, or never participate.

Or, through a shared responsibility model, Nevada can supply the resources necessary to meet the varied educational needs of an expanding and changing population. The new UCCSN Master Plan is founded on the belief that Nevada must pursue a compact between the Regents, its colleges and universities, the state, and its students to step forward, support higher education, and build a bright future.

Enrollment Projections – 10 Years

The schedule included in the student enrollment section of this report projects UCCSN enrollments out to the 2010-2011 school year. As mentioned in that section, we expect the FTE to grow to 85,129 by that time. This projection is a compilation of the forecast from each institution in UCCSN and is reflective of the goals and strategies that are included in our new master plan.

Nevada currently has one of the lowest college continuation rates in the country (continuation rate is the percentage of high school seniors that go to college). It is essential, as Nevada looks to diversify and bolster its economy, that a well-trained workforce exists both to attract new business opportunities and to grow existing businesses. Improving the continuation rate is one measure of the success of that effort. The enrollment projection is consistent with that effort and UCCSN's ultimate goals, as we expect (1) there will be an increase in productivity as measured by the annual average full-time equivalent (AAFTE) generated per headcount, (2) there will be an increase in participation as seen in the increasing headcount per 1,000 population and (3) the year-to-year growth in headcount will exceed the year-to-year growth in projected high school graduates.

Nevada's demographic make-up is changing. Like many states, Nevada is quickly becoming more diverse ethnically and, in addition, UCCSN is seeing many more non-traditional students. The new master plan addresses these phenomena and discusses strategies to design institutional programs to meet the needs of these diverse groups and to improve their opportunities to access higher education.

The projection of enrollment anticipates the case that future increases will not only be driven by general population growth and the growth in the number of graduating high school seniors, but also by UCCSN's efforts to strengthen its role in economic development and in advancing society and enriching the lives of Nevada's citizens.

Future Costs

About 85% of the UCCSN operating budget in FY 2002 is sensitive to increased demand from enrollment growth. These areas include the campus budgets, system computing services, and estate tax funds supporting formula driven costs, financial aid, and technology. The remaining 15% of the operating budget is comprised of non-formula budgets (such as system administration, the business centers), and the medical, dental and law schools, which have line-item budgets.

We would expect growth-sensitive areas of the budget to grow at the rate of anticipated enrollment changes. Non-formula budgets would also grow but probably at a lower rate of increase. The business centers, for instance, must be enhanced to meet the demand for their services that are indirectly the result of enrollment growth. The following table projects UCCSN's cost to FY 2011 using the most likely enrollment growth scenario and 3% annual inflation.

UCCSN
COST PROJECTIONS
(includes inflation)
(in millions)

Year	AAFTE	Total Budget*	Projection		
			Enroll Driven**	All Other***	Total
2001	48101	\$459.6	\$394.6	\$65.0	\$459.6
2002	49627	\$495.8	419.3	67.0	\$486.3
2003	53371	\$530.8	464.5	69.0	\$533.5
2004	57303		513.7	71.0	\$584.7
2005	60356		557.3	73.2	\$630.4
2006	63977		608.4	75.4	\$683.8
2007	67616		662.3	77.6	\$739.9
2008	71682		723.2	79.9	\$803.2
2009	75945		789.2	82.3	\$871.6
2010	80474		861.4	84.8	\$946.2
2011	85129		938.5	87.4	\$1,025.9

* Actual
**Includes enrollment growth and annual inflation at 3%
***Includes annual inflation at 3%

The above figures are an estimate of total operating cost. We know from the section on revenue mix that the state's share is currently about 77% of the total (state appropriation plus estate tax), and the balance comes from student tuition and fees and other sources. If this revenue mix remains about the same, the increased funding needs would look like this:

Year	Total Budget	State Share	Student/Other
2001	\$459.6	\$344.7	\$114.9
2011	\$1,025.9	\$769.4	\$256.5

If UCCSN significantly increases student fees and out-of-state tuition, a higher proportion of added costs may be borne by the students and their families. If that course is followed, however, student financial aid would need to be increased dramatically to increase access opportunities to financially disadvantaged students.

The above estimate only addresses increased enrollment and increased participation rates. It does not include new dollars for any specific program enhancements within the System. If, for instance, a new Pharmacy School is developed, and there is great demand for one, dollars would have to be added. Examples of other potential enhancements include other professional schools,

centers of academic excellence, and expansion of specific programs such as nursing and education.

Capital Needs

UCCSN, as an entity of state government, depends heavily on state resources to meet capital needs. Generally speaking, instructional space – including classrooms, libraries, laboratories and offices – are funded by the state, and student facilities such as housing, dining halls and parking are acquired through revenue bonds under UCCSN’s statutory authority. It is important to note that recently certain UCCSN revenue bonds have been pledged to help fund projects that are normally considered a state responsibility.

UCCSN biennially prepares a request for specific projects and submits it to the State Public Works Board for its consideration and hopeful inclusion in the Governor’s recommended budget. UCCSN is normally the largest benefactor of the legislatively approved capital improvement program. Below is reflected UCCSN’s share of the total program for the last few biennia (includes all funds):

<u>Biennium</u>	<u>UCCSN</u> (millions)	<u>Total Program</u> (millions)	<u>Per Cent</u> <u>Share</u>
2001-2003	\$184.6	\$293.7	63%
1999-2001	\$124.4	\$230.8	54%
1997-1999	\$145.7	\$316.1	46%

At the 2001 Legislative session, UCCSN presented a trimmed-down request of about \$332 million in projects, of which only \$184.6 million was funded. UCCSN’s ten-year plan includes many more projects, certainly more than current state resources can fund.

In 2000, UCCSN commissioned a comprehensive study of space needs by consultant MGT of America, Inc. The MGT study addressed space inventory and utilization, space standards, and capital project priorities. MGT discovered that five out of seven institutions in UCCSN lacked sufficient space in 1999 and by year 2007 all seven institutions would be in space deficit, and the shortfall would be in excess of 2 million square feet. UCCSN’s current status of capital facilities and the significant increase in demand expected from enrollment growth in the next ten years will continue to drive capital needs beyond current funding levels in Nevada.

The Legislature historically has used a combination of state surplus dollars, general obligation bonds (GO), and other funds such as grants or donations to fund the biennial capital improvement program. In recent years, however, because of the lack of large general fund surpluses, more reliance has been placed on general obligation bonds to meet this need. In 2001, the Legislature approved the issuance of \$196.5 million in GO bonds, which represents 67% of the approved program funding.

Currently, there are two limitations in the amount of general obligation debt the state can have at any point in time. One is constitutional and limits debt to 2% of assessed valuation. This cap has not been an issue in recent bond programs. The second limit is that created by the amount of funds available for debt service in the future. The state currently levies a 15¢ per \$100 of assessed value property tax statewide for bond redemption. This tax rate has been the same for many years and in the future will act as a real limit on debt issuance. The State Public Works Board is indicating to agencies that as little as \$40 million in new bonds will be available for the next capital improvement cycle. This will certainly be exceeded by demand both from UCCSN and other state agencies. An increase in this tax rate or the dedication of some other revenue source to capital programs needs to be addressed

IV. NATIONAL / REGIONAL COMPARISONS

Per Capita Expenditures

It is useful to compare public higher education's status in Nevada to the other states. Nevada's relative position in terms of state appropriations per capita and per \$1,000 of personal income are two measures of that status. Attachment B displays Nevada's ranking for each of these measures with the fifty states. This table is an authoritative resource compiled by Illinois State University and can be found in *Grapevine—A National Database of Tax Support for Higher Education* (www.coe.ilstu.edu/grapevine)

Per Capita: Nevada ranks well down the all-state's list for per capita appropriations to higher education. In FY 2002, Nevada's \$346.8 million in appropriations ranks 47th in the country with \$164.69 per capita, well behind the national median of \$225.52

Per \$1,000 of Personal Income: Again, Nevada does poorly when stacked up against the other states in comparing appropriations per \$1,000 of personal income. In FY 2002, UCCSN's appropriations were \$5.48 per \$1,000 of personal income, ranking Nevada 42nd in the country. The national median is \$7.50 per \$1,000 of personal income.

Local Share of Community College Resources

In many states, local resources share in the cost of their community colleges primarily through a property tax levy, the sales tax, or some combination of other sources. A recent study titled *State Funding for Community Colleges: A 50-State Survey* (Education Commission of the States, November 2000) reveals that community colleges in 27 states receive 10% or more of their general operating funds from local sources. In Arizona, for instance, 57% of resources are local and in California 44.5% come from that source. Nineteen states, as noted in the report, provide capital outlay resources from either local taxes or bonds. Attached are copies of the pertinent pages from that report. (Attachment C).

In Nevada, community colleges are supported almost entirely from state appropriations, student tuition and fees, and estate taxes. In the current year (FY 2002), Nevada's community colleges are supported as follows:

Community College Funding

	<u>FY 2002</u>
State Appropriation	\$ 94,917,370
Other Revenues	<u>39,002,146</u>
Total Budget	\$133,919,516

As an example of possible local funding in Nevada, if a 5 cent per \$100 of assessed valuation had been levied in FY 2002 on the statewide assessed value (\$52,943,737,483 as reported in the Department of Taxation's Redbook) more than \$26 million would have been raised to support community college operations. Currently, each penny of property tax in Nevada is worth about \$5.3 million.

V. CONCLUSION

Given the demographic projections for the State of Nevada, the new goals set by the Board of Regents, and the need for economic diversification in the state – supported by excellent higher education institutions providing a consistent supply of quality, skilled workers – it is clear that the needs of the UCCSN will outstrip state resources if new and reliable sources of revenue are not found. The K-12 system in Nevada – along with the federal government – pledge to “leave no child behind.” The graduates of a K-12 system committed to this goal must also be ensured the opportunity to pursue the dream of higher education in a state that currently offers fewer options than those enjoyed by citizens of other states.