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Nevada, the Great Recession, and Education

Deborah A. Verstegen

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Introduction

The impact of the Great Recession and its aftermath has been devastating in Nevada, especially for public education. Prior to the state's legislature meeting for its biennial session in February, 2009, Nevada's economic outlook was already showing signs of trouble. The state was close to 10 % in unemployment and economic forecasts for the 2009-2011 biennium were approaching historic lows. In his 2010 state of the state address, then Governor Jim Gibbons, a Republican, outlined the state's outlook:

Nevada has actually fared worse in this national and worldwide economic crisis than many other states. The combination of tight credit markets, sharp declines in discretionary spending and record-low consumer confidence has caused our two major industries, construction and tourism, to suffer drastic reductions. The numbers are daunting.¹

Only two years later, Nevada recorded the highest budget gap in the nation at 45.6%; the highest unemployment rate at 14.5%; and the highest number of housing foreclosures. The leading industries of construction, gaming and tourism were waning, and revenue collections were down. The new Republican Governor, Brian Sandoval, in his first state of the state address (January 4, 2011) underscored the challenge facing state, calling for fundamental change:

[T]he state of our state this evening should not be described as just another dip in the road. Instead, we find ourselves on the new terrain of a changed global economy, and the crossing is hard. The Nevada family looks to us to understand how we will navigate this new path. Certainly, there are short-term solutions – some of them painful. But true success lies in making a fundamental course correction and declaring, in the words of Abraham Lincoln: "The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew."²

Because Nevada's economy is so heavily affected by outside influences – tourism, for example – national and international economic problems have an especially strong impact on the

state's economic climate. To compound the situation, Nevada's tourist economy is dependent upon a large number of service sector jobs that do not require advanced education, fueling the notion that higher education is not required for workforce participation. According to a report by the Institute for Higher Education Policy, "As the casino-based economy flourished, many Nevadans were able to achieve a middle-class lifestyle without having to acquire a college degree."³ The consequence is that economically Nevada may have undervalued education funding. The report went on to state: "Even by the most conservative estimates, there is no doubt that the gaming and hospitality industries are likely to remain dominant industries in Nevada."⁴ Although some may believe the state must diversify its economy by attracting other industries, such as high-tech companies, science and research firms, and alternative energy enterprises, what presents some level of difficulty is that in order to attract such diverse businesses "...the higher wage jobs in the new knowledge-based economy require significantly more postsecondary education,"⁵ and "Nevada, with its low educational attainment, is unprepared to meet these demands."⁶

Considering Nevada's economic realities, the education budget is a source for debate as the legislature meets in its odd-year session of 160 days every two years. The current Democratically-controlled legislature had been at odds with the Republican governor prior to the introduction of his budget proposal, and the tough economic situation combined with political volleying has meant that issues will not be settled easily. The governor is against tax increases (his campaign was run on a "no new taxes" stance) and has focused on the business sector. As a result, Nevada's education budget remains contentious and will most likely continue to be for some time as the state grapples with its long-term economic future and present outdated revenue structure.

This article discusses the budget shortfalls and the impact of the economic crisis in Nevada using case study methodology. It provides a review of documents, including Governor Gibbon's proposals for the public K-12 education system and the Nevada state higher education system (NSHE) for 2009-2011, together with the legislative response. It then outlines Governor Sandoval's 2011-2013 budget proposals and responses from the NSHE and K-12 public education in the state in the two largest cities, Reno and Las Vegas. The final section includes an update to the tumultuous years of uncertainty in Nevada, with the surprising Nevada Supreme Court decision that waylaid a budgetary impasse. Data sources included documents available in the field and participant observation. When possible, data were triangulated to identify trends and outcomes. The focus throughout was on education finance in school districts and higher education institutions, and how they were affected.

Governor Gibbon's 2009 State of the State Address

In his January 2009 state of the state address, Gibbons outlined proposals to meet Nevada's "historic challenges" brought on by the ripple effects of a global economic downturn and stock market collapse that impacted Nevada's unemployment, housing foreclosures, job dislocations, declining tourism and

construction industries.⁷ Revenue reductions were projected at 30% but were not forecast to affect all sectors similarly. According to the governor, the revenue forecast for the state's 2009-2011 biennial budget of \$5.4 billion in the general fund was \$2.2 billion lower than funding proposed for the last biennial budget. However, he held that new taxes would not solve the problem because they would "kill economic growth and job creation."⁸ Instead, he offered spending reductions to balance the state biennial budget.

The governor's budget recommended funding reductions from all sources of \$2.247 billion for Fiscal Year (FY) 2009-2010, a decrease of 10.1% compared to FY 2008-2009, and \$2.247 billion in FY 2010-2011, which was an increase of 0.4% over FY 2009-2010.⁹ General fund appropriations reductions included \$1.58 billion in FY 2009-2010, a decrease of 11.0% compared to FY 2008-09, and \$1.573 billion in FY 2010-11, which comprises an additional decrease of 0.5%. Approximately 33% of the state general fund budget is appropriated to K-12 education with an additional 19.5% for higher education. Therefore, education sustained a major portion of funding reductions under Gibbon's budget proposal.

The Governor's Budget Proposal and Education Funding Reductions

Education in the state of Nevada is comprised of three areas: The Department of Education (K-12); the Nevada System of Higher Education (NSHE); and other education programs which include the Department of Cultural Affairs, the Western Interstate Commission for Higher Education (WICHE), and the Commission on Postsecondary Education.

The Nevada Department of Education and K-12 Schools

There are 17 school districts in Nevada, whose boundaries are coterminous with counties. Funding for public K-12 elementary and secondary schooling is derived from federal, state and local sources. The primary support for school districts from the state is the Nevada Plan; the funding system, a foundation program. Under the plan, the state legislature determines the level of basic support per student which allows for differences across districts in the costs of providing education, e.g., size, and in local wealth. Special education support is added to the state guarantee and is paid from local funding and state support. Local districts contribute to funding under the Nevada Plan from a property tax of 25 cents per \$100 in assessed valuation and a local school support sales tax (sales) of 2.25% which increased to 2.6% in 2010. The state pays the difference in what localities raise and the basic support guarantee from state sources. State funds are derived from the distributive school account.

Additional funds outside the Nevada Plan include several local revenues including a 50 cents per \$100 ad valorem property tax (property tax), the local government services tax formerly called the motor vehicles privilege tax, and other local sources including franchise taxes, interest, tuition, and operating balances. Currently, these additional revenues are budgeted to generate approximately 25% of revenues to support local school district budgets with the balance being funded under the Nevada Plan which is the state's responsibility.¹⁰

Table 1 | Basic Education Support and Change from Previous Year, 2001-2011

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009*	2009-2010	2010-2011
Actual (\$)	Legislative Appropriation (\$)	Governor's Recommendation (\$)	Governor's Recommendation (\$)						
3,921	3,987	4,298	4,433	4,490	4,699	5,125	5,323	4,945	4,946
106	66	311	135	57	209	426	198	(378)	1

Source: Adapted from 2009 Appropriations Report. Chapter V. Carson City, NV: Legislative Counsel Bureau, 2009.

*In 2008-2009, per-pupil funding for textbooks and instructional supplies was reduced by \$48 million during a special session to \$5,213.

The Gibbon's budget recommended the required state support under the Nevada Plan from the DSA to total \$2.39 billion for FY 2009-2010 and \$2.42 billion for FY 2010-2011, a decrease of 6.9 % over the 2007-2009 biennium. These amounts included recommended changes in all programs under the DSA including the foundation basic support, class-size reduction, special education, adult programs, counseling, early childhood, and library media.¹¹

Table 1 provides a funding history of the average basic support amount per pupil for operating purposes since 2001-2002. In 2007-2008, funding was \$5,125 per pupil under the Nevada Plan and increased by \$198 to \$5,323 in 2008-2009. However, the 24th special session of the legislature decreased funding by \$48 million for textbook funding resulting in a per pupil amount of \$5,213 in 2008-2009. Governor Sandoval's budget recommendation further reduced funding to \$4,945 per pupil in 2009-2010 and \$4,946 in 2010-2011.¹²

Statewide, salaries for teachers were projected to decrease based on the governor's recommendation of a 6% salary reduction effective July 1, 2009, along with the continued suspension of merit pay. Under this recommendation, average teacher's salary would fall from \$52,497 to \$49,347.

The governor's budget also recommended a 3.3% decrease in state funding for special education program units, defined as an organized instructional unit where a licensed, full-time teacher is providing an instructional program for a full school day, nine months a year that meets minimum standards as prescribed by the State Board of Education.¹³ These are referred to as teacher units as they project staffing needs based on availability of funding. In FY 2008-2009, the state funded 3,128 units at \$38,763 each. For FY 2009-2010, this fell to 3,056 units at \$36,569 each. In FY 2010-2011, the number of units rose to 3,094 units, but were funded at the same level.

Additionally, under the governor's proposed budget, funding for class size reduction would be reduced by 6.4% in FY 2009-2010 to \$143.4 million, but it would receive a 1% increase in the second year of the biennium. The budget also proposed a reduction of \$13.5 million per year for regional professional development programs and eliminated funding incentives for licensed educational personnel, a savings of \$50 million. It also eliminated the expansion of full day kindergarten programs and empowerment school programs.

Clark County School District. The impact of the recession on the largest school district in the state, Clark County School

District, which contains Las Vegas, was especially severe. Clark County is the fifth largest school district in the United States, enrolling over 300,000 pupils. The district has the lowest per-pupil expenditure and the highest pupil-teacher ratio in the state. The district's planning process for determining budget reductions used the minimization of the impact on the classroom as its primary goal, an approach which is consistent with research guidelines.¹⁴ In addition, the district held a series of town hall meetings to get input from staff, students, parents, and district patrons before reaching final decisions.

The most severe reductions were in administration and support personnel to assist teachers. Administrative positions were reduced at the central office, regional offices, and schools sites by a total of 260 positions representing a savings of \$2 million. School staffing formulae were reduced by 3.0% for a savings of \$27 million. Early retirement incentives, reduction in support staff in elementary schools, elimination of teacher purchasing cards, and cuts in mentor teachers accounted for an additional \$12 million. Additional cuts involved retaining full day kindergarten only for at-risk schools and eliminating block scheduling at the high schools. Elimination of block scheduling represented \$11 million in savings, but students would have fewer options for making up course credit deficiencies under that scenario.

Washoe County School District. Washoe County School District, encompassing the city of Reno and the University of Nevada's flagship institution, is the second largest school district in the state. In December 2007, the district was notified of a state budget shortfall of \$440 million by the governor's office. On January 1, 2008, the shortfall had grown to \$500 million, and by January 18, to \$517. By the year's end, the shortfall was \$1.5 billion. It was followed by an even more drastic revenue decline expected in the current budget cycle, which is projected at \$2.3 billion. Governor Gibbons warned that several options to reduce the budget were off the table. These included shortening the school day, releasing prisoners, and massive state employee lay-offs. Instead of the latter, he proposed a 6% salary reduction for state employees, and a temporary freeze on step increases and longevity pay for the biennium.¹⁵

Round one of budget reductions for the Washoe County School District included a \$3.6 million and \$.602 million reduction over the two years of the biennium, representing a total reduction of \$4.2 million. Textbook adoptions for science

Table 2 | Fee and Tuition Increases

Fees by Institution	FY 2009 Fees/ Tuition (\$ per credit unless otherwise noted)	FY 2010 Regents Approved per Governor's Recommendation (\$ per credit unless otherwise noted)	FY 2010 Change (\$)	Change (%) Between FY 2009 and FY 2010	FY 2011 Regents Approved per Governor's Recommendation (\$ per credit unless otherwise noted)	FY 2011 Change (\$)	Change (%) Between FY 2010 and FY 2011
Community Colleges							
Resident	57.25	60.00	2.75	4.80	63.00	3.00	5.00
Upper Division*	93.50	98.25	4.75	5.10	103.25		5.10
Non-Resident	5,709.00/year	6,188.00/year	\$479	8.40	6,347.00/year	159.00	2.60
Nevada State College							
Resident	93.50	98.25	4.75	5.10	\$93.25	5.00	5.10
Non-Resident	8,398.00/year	9,264.00/year	\$866	10.30%	9,818.00/year	554	6/0
Universities							
Resident Undergraduate	129.50	36.00	6.50	5.00	142.75	6.75	5.00
Resident Graduate	198.00	217.75	19.75	10.00	239.50	21.75	10.00
Non-Resident	11,095.00/year	12,340.00/year	1,245.00	11.20	13,290.00/year	950.00	7.70

Source: Adapted from 2009 Appropriations Report. Chapter V. Carson City, NV: Legislative Counsel Bureau, 2009, p. 101.

*Upper Division refers to Great Basin College, College of Southern Nevada, and Western Nevada College.

were deferred along with other savings in year one while the district's general fund balance was used to cover year two reductions. When a special legislative session was called in June 2008 to address another \$275 million shortfall, school districts were asked to further reduce their 2008-2009 budgets by 3% while statewide textbook funding was cut in half. In December, the gap had grown to \$341 million requiring a third round of budget reductions. A fourth round of budget reductions began with planning for the 2010-2011 budget. Here the governor requested a 14.5% reduction for all state agency budgets. The Washoe County School District projected possible increased class sizes, elimination of additional retirement funds for teachers in hard-to-staff schools, and additional reversions of unspent state funds.¹⁶

Nevada System of Higher Education

Budget reductions also affected Nevada colleges and universities. The Nevada System of Higher Education (NSHE) is comprised of the Chancellor's Office; University of Nevada, Reno (UNR), University of Nevada, Las Vegas (UNLV); Nevada State College at Henderson (NSC); College of Southern Nevada (CSN); Western Nevada College (WNC); Great Basin College (GBC); Truckee Meadows Community college (TMCC); UNR School of Medicine; UNLV Law School; UNLV Dental School;

and the Desert Research Institute (DRI). The system is governed by a 13-member Board of Regents.¹⁷

The 2010 system wide operating budget for the NSHE was 25.2% lower than approved by the legislature for the 2007-2009 biennium, or a total of \$1.26 billion (net of interagency transfers).¹⁸ However, more drastic reductions were recommended for general fund appropriations. Governor Gibbons recommended \$843.9 million for the 2009-2011 biennium, a decrease of \$472.5 million. This is a 35.9% reduction compared to the amount approved by the legislature for 2007-2009.¹⁹

Funding for NSHE budgets are primarily based on enrollment. NSHE used three-year weighted averages from FY 2006-2007 through FY 2008-2009 to project enrollment percentage changes with the exception of Nevada State College where unweighted prior-year actuals were used.²⁰ Enrollments were projected to increase in 2011-2013 by 3.18% with the largest percentage increases at the College of Southern Nevada and Great Basin College. Projected enrollments in FY 2009-2010 were 6.23% higher than the full-time equivalent (FTE) enrollments budgeted in FY 2008-2009.

For FY 2007-2008 and 2008-2009, the legislature funded NSHE's main formula accounts for the seven teaching institutions at 85.5% of adequacy calculations. The governor recommended formula maintenance funding at 85.77% which

Table 3 | Funding Reductions, 2007 through 2011

Fees by Institution	General Fund Allocation 2007-2009	Cuts 2007-2009	Percent (%) Change FY 2007-FY 2010	Actual FY 2009 General Fund Allocation	Annual Legislative Target General Fund FY 2010-2011	Annual Target Legislative Reductions Change (\$)	Percent (%) Change FY 2009-FY 2011
Community Colleges							
Great Basin College	33,360,369	1,821,218	5.459226	17,823,347	14,479,665	3,343,682	18.76
College of Southern Nevada	192,828,993	10,507,339	5.449045	102,894,130	83,591,066	19,303,064	18.76
Western Nevada College	42,021,026	2,228,624	5.303593	22,358,817	18,164,276	4,194,541	18.76
Truckee Meadows Community College	81,134,420	4,417,824	5.445068	43,186,115	35,084,347	8,101,768	18.76
Four Year Colleges							
Nevada State College	33,001,010	1,830,827	5.54779	18,145,916	14,741,720	3,404,196	18.76
Universities							
University of Nevada, Reno	413,663,217	22,557,169	5.453028	144,152,936	117,109,669	27,043,267	18.76
University of Nevada, Las Vegas	401,252,013	21,865,640	5.449353	183,139,626	148,782,409	34,357,217	18.76

Sources: "Nevada System of Higher Education Responses to March 20, 2009 Budget Hearing Prepared for 'Work Session'"; and personal communication with L. Eardly, April 6, 2009.

Notes: Schedule displays 4.5% cuts for FY2008 and FY2009 with an additional 3.42% cut for FY2009. Student credit hour surcharge and additional student fees are revenues brought in to replace a portion of the 4.5% cut.

would provide increases over the biennium of \$30.70 million and \$341.65 million in FY 2009-2010 and FY 2010-2011, respectively. However, according to the Nevada Legislative Counsel Bureau (NLCB), taking into account additional formula enhancement modules, the net impact of the governor's formula recommendation would result in general fund formula reductions of \$204.04 million and \$203.38 million. NLCB explained: "Preliminary calculations indicate that when combined with other budget reductions...the Governor's recommendations would drop formula funding percentages from the legislatively-approved 85.5 % level to a range of between 51.73 and 54.61%."²¹

The Board of Regents responded by approving fee increases for students at the colleges and universities for the 2009-2011 biennium, ranging from \$2.75 to \$21.75 per credit.²² (See Table 2.) The largest fee increases were for universities where resident graduate student fees increased 10%, resulting in total tuition costs of \$239.50 per credit hour. Undergraduates (residents) sustained a 5% increase to total \$142.50 per credit hour.

The governor's budget also recommended a 6% reduction in salaries and the elimination of longevity and merit increases. In addition, \$2.96 million yearly decreases in state-supported operating budgets' revenues and expenditures through the elimination of the operating capital investment revenues was recommended.²³ Other proposed changes for NSHE included an increase in the audit contract \$67,500 and transfers were proposed for the WICHE program and the Fire Science Academy.

NSHE sustained a 4.5% reduction in state appropriations in January of 2008 and an additional 3.42% reduction in July of 2008.²⁴ Although Governor Gibbons requested an additional 35.9% reduction in the 2009-2011 biennium, the legislature asked NSHE to prepare a report that would meet the minimum requirements under maintenance of effort in order to receive approximately \$400 million in federal stimulus funds. This would keep funding at 2006 levels and would equate to an 18.76% reduction, rather than 35.9%. (See Table 3.)

In a March 20, 2009 legislative hearing, the legislative subcommittee on K-12/higher education NSHE to present budget impacts based on the 18.76% budget reduction scenario. The committee also asked NSHE to create the budget using a 5% additional fee increase (essentially this is a tuition increase).²⁵ The 18.76% budget reduction would result in a \$555.5 million general fund expenditure, equivalent to that of FY 2005-2006, the base year for federal funding eligibility under the maintenance of funding requirement. The subcommittee requested that NSHE detail what programs would be added with this budget versus the 35.9% budget cut proposed by the governor. They also asked what specific programs would still be cut at the funding level resulting from the 18.76% reduction. Each institution gave detailed response as to how these reductions would impact their respective institutions.

University of Nevada, Reno (UNR). The cuts from the 2007-2009 biennium led to 37 nonrenewal notices and cuts of 43.78 state-funded positions at UNR. The mathematics and writing centers were eliminated as well as six other programs/services that had been targeted for elimination.²⁶ The 2009-2011

proposed plans to meet possible budget cuts, UNR reported, would result in the elimination of 100 additional faculty as well as 20 classified positions, and approximately 400-500 class sections annually or roughly 800 sections over the biennium. Intercollegiate athletics would experience reductions between \$300,000 and \$700,000. Other areas that would be negatively impacted included de facto enrollment caps, and reductions of 50% in statewide programs.²⁷

The University of Nevada, Las Vegas (UNLV). UNLV reported that these proposed cuts would lead to program eliminations, but was hesitant to comment on just which programs would be cut for fear of diminishing the viability of those programs.²⁸ Salary cuts, furloughs, or a 4.7% reduction, would be necessary for faculty and staff members that had already taken on more responsibilities due to the last two rounds of budget cuts. Losses would include approximately 210 faculty, 170 part-time instructors, 2,200 classes, 4,271 FTE students, 6,380 total students, 24% overall FTE, library holdings, IT capacity/services, and seed funding for programs and activities. In graduate education, cuts would equate to either 24 staff positions or 180 graduate assistantships. Fifty nonacademic student affairs positions would be terminated resulting in delays in admissions and financial aid processes. Approximately 100 of 500 positions in the business and finance area of administration would have to be cut as well. Fifteen professional positions that target raising private money for the institution would be eliminated; these were estimated to result in the loss of private support of roughly \$10,400,000 a year.

The School of Law would be forced to reduce its operating budget by 60%, eliminating two faculty, two library faculty, and three professional staff positions. These reductions would also leave the law school around \$600,000 short in scholarship money. The Dental School would have to close its enterprise clinic that serves 17,000 patients on a sliding-fee scale yearly. It would also be forced to eliminate around ten programs that provide services to children, sheltered women, and the homeless.

Nevada State College (NSC). For NSC to meet the proposed budget cuts, 37 positions or roughly 23% of its work force would have to be eliminated. These positions would include faculty, student services, support services, human resources, information technology, facilities, and the president's staff.

The Legislative Response and 2009-2011 Budget Reductions²⁹

General fund appropriations supported by the 2009 legislature in response to the governor's proposals were higher than requested, totaling \$1.72 billion in FY 2009-2010 and \$1.852 billion in the 2010-11 fiscal year, a combined 9.1% decrease over appropriations for the 2007-2009 biennium. Appropriations for education comprised 55.2% of general fund expenditures for the 2009-2011 biennium. Total funding for education from all sources was \$2.5 billion in FY 2009-2010, an 11.5% decrease from prior amounts. A total of \$139.6 million in federal stimulus funds was allocated to K-12 basic aid and \$184.8 million funding was allocated to NSHE for the 2009-2011 biennium.³⁰

K-12 Education

The approved budget provided school districts with \$3.325 billion in FY 2009-2010 and \$3.364 billion in FY 2010-2011. Actual basic support for FY 2007-2008 (the foundation amount per pupil) was \$5,125 after textbook funding reductions compared to \$5,213 in FY 2008-2009, \$5,251 for FY 2009-2010 and \$5,395 for 2010-2011. The 2009 legislature reduced funding for teacher's salaries by 4% in each year of the biennium to assist with projected budgetary shortfalls, rather than the 6% reduction recommended by the governor.³¹ Merit and longevity pay increases were also suspended by the legislature as recommended by the governor, but the general assembly approved a partial restoration of merit increases for teachers obtaining additional education. This resulted in a general fund "add-back" of \$9.0 million in FY 2009-2010 and \$19.3 million in FY 2010-2011.³²

For special education, the approved budget included 3,049 special education units, at a cost of \$39,768 each, or \$121.3 million for each year of the biennium, an increase of 2.6% over the FY 2008-2009 per unit funding level but a 2.5% decrease in the number of approved teacher units from the FY 2008-2009 level.

For academic year 2010-2011, schools districts were authorized to increase class sizes in grades one through three by no more than two pupils per teacher in each grade to achieve pupil-teacher ratios of 18:1 in grade one and, and 21:1 in grade 3.³³ School districts that chose to increase class sizes in K-3 were required to use funding saved to minimize reductions on class sizes in grades 4 through 12, and to report class sizes for grades 1-12.³⁴

The legislature did not support the governor's proposals to suspend the regional professional development program for the 2009-2011 biennium. However, four existing regions were consolidated to three, and additional funding was provided for administrator training. In addition, the legislature suspended new teacher signing bonuses and approved full day kindergarten for at-risk students in schools with 55.5% free and reduced-price lunch count.

In a special session, called February 23, 2010, in response to the continuing economic crisis, changes to address the budget shortfall were addressed. K-12 basic support (foundation funding) was reduced from \$5,395 to \$5,192 per pupil for FY 2010-2011. This required additional budget reductions for school districts across the state. Additionally, the legislature reviewed policy recommendations that would make Nevada eligible to receive competitive federal stimulus funds between \$60 million and \$175 million through the Race to the Top program. To qualify, the legislature removed a the prohibition on linking student achievement data to teacher evaluations. The resulting legislation required achievement to be considered but not to be the only criterion for evaluating or disciplining a teacher.³⁵ Additionally, Nevada committed to using the Common Core State Standards, with implementation slated for 2014, to be eligible. However, the state's subsequent Race to the Top proposal was not selected for funding.

Higher Education

Although the governor proposed a 35.9 % decrease in general fund support for 2009-2011 for NSHE, the Democratically controlled legislature responded with a 12.5 % decrease.³⁶ This was still a substantial reduction of \$1.316 billion in general fund support. The legislature also approved a flat enrollment projection methodology rather than a traditional three year weighted average methodology that had been used to project higher education enrollment. This had the effect of favoring universities over community colleges, but was adopted only for the 2009-2011 biennium.

Federal stimulus funding provided substantial assistance for Nevada in the amount of \$396.58 million, with K-12 and higher education receiving 81.8%. Although the state did not meet the maintenance of effort requirement for funding at the level supported in 2005-2006, it did qualify for a waiver. Subsequently, the legislature budgeted \$92.39 million in each year of the biennium to NSHE institutions which was distributed through the flat enrollment methodology. The balance of the federal stimulus stabilization funding was allocated to K-12 education in FY 2008-2009 as part of the foundation formula.

In addition to formula reductions for NSHE, the governor's budget had included a 6 % salary reduction, suspension of longevity payments and merit pay increases, and reductions in health benefits. However, the legislature approved a 4 % salary reduction and 12 days of furlough for classified employees and restored some health benefits.

Additionally, the NSHE Board of Regents approved fee increases for colleges and universities ranging from \$2.75 to \$21.75 per credit hour with the highest increases falling on graduate student residents (10%) at universities. Subsequent to the legislature's adjournment, the Board of Regents approved an additional 5% student registration fee surcharge per credit for each year of the 2009-2011 biennium. Fees were applied to undergraduates at the universities, state colleges, and community colleges in spring semester 2010, but not to graduate, medical or law school courses. Additional changes were made in several areas including capital improvements, operation and maintenance of space, and a dental residency transfer to UNLV from UNR.³⁷

Governor Sandoval's State of the State of Nevada Address: The 2011-2013 Budget

After a gubernatorial election that featured a Tea Party candidate challenger, Sharon Angle, and U.S. Senator Harry Reid's son, Rory Reid, a Democrat, newly elected Governor Sandoval, a Republican, presented an outline of his plans in his state of the state address on January 24, 2011. His plan included cuts for state employees, an assault on tenure, and increased funding for business. K-12 and higher education were both targeted for significant reductions. The governor's proposals included what he called an "outline of significant reforms in the way we manage our schools," as follows (direct quote):

- End teacher tenure. An important first step is to eliminate the protection of seniority when decisions about reductions in force must be made.

- Rely heavily on student achievement data in evaluating teachers and principals. As incentives, we will provide \$20 million in performance pay for the most effective teachers will be allocated.
- Eliminate costly programs that reward longevity and advanced degree attainment. Bill Gates, Secretary of Education Arne Duncan, and others have repeatedly noted this kind of spending does not improve student achievement.
- End social promotion. Students who cannot read by the end of third grade will not be advanced to the fourth grade.
- Improve accountability report cards and provide more parental choice: Open enrollment, better charter school options, and vouchers to make private school education a possibility for more families.
- Reform K-12 governance...the governor appoints the state board of education and the superintendent of public instruction.³⁸

The governor sought to fill a 50% budget gap, the highest in the nation,³⁹ without new taxes. Key strategies were reductions in the number of state employees, cuts in education funding, and the capture of funds from local governments. The governor recommended that a portion of the local property taxes from Clark and Washoe Counties be used for funding higher education. This, a rather unusual manner in which to fund local schools and colleges, was augmented by another closely related revenue enhancement strategy: Raiding funds from local school district debt reserves. The latter came under fire, however, amid further scrutiny. Localities objected to funds for targeted purposes being taken by the state and used to fill the state budget gap.

The proposed reductions for higher education, if implemented, would have been drastic according to figures compiled by the NLCB.⁴⁰ (See Table 4.) University presidents at the state's doctoral institutions, UNLV and UNR, also sounded the alarm. A headline in a March 30, 2011, UNLV faculty blog post captured the issue: "Sandoval budget cuts higher ed 40% in net allocation since 2007."⁴¹ In another news report, the UNLV President suggested the level of reductions was so staggering that, if approved, declaring financial exigency for the university would be necessary.

The combined effects of reductions on schools and colleges were the subject of multiple electronic analyses and in-house communiqués, as well as concern by teachers and postsecondary faculty and state workers, who would bear the brunt of reductions. Each institution issued communiqués via the web and through selected news releases.

The University of Nevada, Reno

In a letter titled "Dear Colleagues," UNR President Milton Glick, provided details of the full impact of the proposed budget reductions: "If these proposed budget reductions are fully implemented, the University's budget will have been reduced by more than \$100 million over two biennia or four years. Our campus will have eliminated more than 700 budgeted positions and more than 30 degree programs, and more than 50 services and programs will have been eliminated or sharply reduced."⁴² Curricular review underway at UNR was allegedly reviewing programs for possible elimination. If programs were

Table 4 | 2011-2013 Biennium Executive Budget Recommended Governmental Support Compared to FY 2011 Legislatively Approved Governmental Support

	FY 2011 General Fund and ARRA (Leg. Approved)	FY 2012 General Fund and Property Tax (Gov. Rec.)	% Change Over FY 2011	FY 2013 General Fund and Property Tax (Gov. Rec.)	% Change Over FY 2011
UNR	\$124,085,141	\$95,632,792	-22.9%	\$81,409,408	-34.4%
UNLV	\$154,997,284	\$125,413,961	-19.1%	\$106,525,137	-31.3%
NSC	\$13,826,922	\$9,040,401	-34.6%	\$7,602,701	-45.0%
GBC	\$17,531,947	\$13,941,066	-20.5%	\$11,793,317	-32.7%
CSN	\$97,086,121	\$75,944,918	-21.8%	\$64,667,849	-33.4%
WNC	\$19,614,843	\$14,941,033	-23.8%	\$12,621,694	-35.7%
TMCC	\$37,959,454	\$29,890,760	-21.3%	\$25,418,350	-33.0%
TOTAL	\$465,101,712	\$364,804,931	-21.6%	\$310,038,456	-33.3%

Source: Nevada Legislative Counsel Bureau. 2011 Fiscal Report. Section V, p. 115.

identified for elimination, then all faculty would be “let go,” including tenured professors. President Glick wrote to faculty and others, providing further details of the budget reductions just weeks before his fatal stroke. Entire majors and minors were slated for elimination as well as entire academic departments.

The plan for the fiscal year’s \$58.8 million in proposed reductions included permanent elimination of 318 positions with 1,600 students directly affected by reductions in program and degree areas. Included was the consolidation of four colleges into two whereby the College of Agriculture, Biotechnology and Natural Resources would become part of the College of Science, and College of Education would become part of the College of Liberal Arts. Eight majors or minors would be eliminated: Educational leadership, educational psychology, counseling and human development, educational specialties, nutrition, philosophy, French, theater, and dance. Ten programs or centers faced proposed elimination or significant downsizing: Cooperative Extension; Nevada Bureau of Mines and Geology; Center for Research Design and Analysis; Nevada Small Business Development Center; Business Center North; intercollegiate athletics; hydrology graduate program; atmospheric science graduate program; and mathematics/statistics. Student Services would also be affected, with reductions in the Disability Resource Center, Center for Student Cultural Diversity, student success services, student conduct, recruitment, and admissions and records. Additional student services would be moved to fee-based support.

Finally, state funding for Basque Studies; International Students and Scholars; Center for Justice Studies; Child and Family Research Center; Lombardi Wellness Center; Center for Substance Abuse Technology; New Student Initiatives Program; Latino Research Center; and Black Rock Press would be eliminated.⁴³

The University of Nevada, Las Vegas

UNLV reported that it would cut another 155 faculty lines in 36 programs, displacing over 2,200 currently enrolled students in fields from marketing to social work to informatics—in addition to reductions that were being implemented in the current academic year. UNLV President Smasreck explained the situation: “I have been asked repeatedly what principles were used to guide these cuts. I would like to remind everyone that we aren’t aware of any other institution that has faced cuts of this magnitude over such a short period of time. We are in uncharted territory. We can no longer sustain the diversity of programs we have with the resources we receive...”⁴⁴

Nevada State College

At NSC, the administration announced it would have to reduce access for 6,000 students, nearly 20% of its full-time equivalent enrollment. WNC also announced the closure of programs that would result in loss of access for students and faculty layoffs.

NSHE also was considering raising fees by 13% in each year of the upcoming biennium. This was to offset further cuts to academic programs and services given the \$162 million in state revenue cuts proposed by the governor for the 2011-13 biennium. Current annual fees of \$5,461 per resident undergraduate student would rise to \$7,006, if implemented.⁴⁵

K-12 Education

Proposed reductions for K-12 education included the governor’s recommendation of reducing foundation program support by \$270 per pupil for each year of the biennium. Together with special session changes, this would result in considerable changes in the funding trajectory per pupil. According to the NLCB, funding for the Nevada Plan would be \$4,918 per pupil for 2012 and \$4,918 per pupil for 2013, a reduction of \$209 and \$477 per pupil respectively. In addition, teacher salaries

Table 5 | Student Enrollments and Percentage Change from Previous Year, FY 2004 through FY 2013

FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Projected	FY 2012 Gov. Rec.	FY 2013 Gov. Rec.
373,498	387,834	400,101	413,260	420,830	422,112	421,387	422,570	423,192	424,460
4.14%	3.84%	3.16%	3.29%	1.83%	0.30%	-0.17%	0.28%	0.15%	0.30%

Source: Nevada Legislative Counsel Bureau. 2011 *Fiscal Report*. Section V, p. 105.

would fall 5%, and longevity and merit increases would not be implemented. Overall reductions for education to individual school districts, according to their superintendents, would be draconian.

In addition to the proposed funding reductions, enrollment changes would result in funding losses. State aid to school districts is based on student enrollment counts, taken annually the last Friday in September. Although state population increases had outpaced the rest of the country over the past decade, they were now flat. Beginning in 2009, student enrollments had stabilized as a result of the economic recession and job losses, which in turn led to outmigration. Table 5 shows public school enrollment changes over time.

Proposed changes in teacher tenure would include three years of probationary status instead of two. After tenure, referred to as post-probationary status, an unsatisfactory rating in two sequential years would return a teacher to probationary status.

Clark County School District. CCSD, including the Las Vegas schools with 70% of the state's student population, projected the following changes if the proposed cuts were implemented:

Enrollment for the nation's fifth largest school district is expected to go down more than 9,000 students to about 300,000... Even before the projected enrollment drop, district officials had estimated that they might have to cut anywhere from 2,500 to 5,600 jobs to balance a funding shortfall of \$250 million to \$400 million. The district employs 38,500 people, including 18,000 teachers. Based on data from a past budget document, increasing class sizes by three students would eliminate the need for about 1,000 teachers in grades 1-12.⁴⁶

Washoe County School District. Due to anticipated losses of local, state and federal funding, WCSD in northern Nevada, including Reno, reported facing an estimated \$75 million shortfall for 2011-2013. This would be in addition to \$73 million in cuts the district already had made during the last four years. Debt reserve losses would mean that school revitalization would not occur as planned, safety issues might need to be overlooked, class sizes would increase, and teacher pay would drop. At the same time, teacher tenure laws were under attack, and lay-offs were on the horizon.

The Nevada Supreme Court Decision

In the midst of proposals for draconian budget reductions across the state which focused on public employees, including teachers and postsecondary faculty, the Nevada Supreme

court issued a ruling that proved to be critical.⁴⁷ The high court decision in the *Clean Water Coalition* raised legal doubts about the use of dedicated local funding sources to balance the state general fund budget. The high court decision reversed a lower court ruling finding that dedicated funding transferred from local governments to the state's general fund was unconstitutional. The court noted that the state was confronting a budget crisis which resulted in the enactment of several cost cutting measures intended to balance the state budget. One of these mandated the transfer of \$62 million from a "political subdivision of the State" into the state's general fund for unrestricted use. The court noted two restrictions on the legislatures' authority, including Article 4, Section 1 of the Nevada Constitution. It prohibits, among other things "local and special laws for the "assessment and collection of taxes for state... purposes."⁴⁸

The decision in *The Clean Water Coalition* (May 26, 2011) called into question the governor's proposed strategy for balancing the upcoming budget. Although he had campaigned on a "no new taxes" pledge, he abruptly changed course and agreed to extend taxes planned to sunset on June 30, 2011. This decision provided \$620 million in temporary tax revenues to balance the budget.⁴⁹ This stopped the most severe cost containment plans for the universities and the schools.

Following the Nevada Supreme Court decision and subsequent actions by the governor, the legislature finalized the 2011-2013 state budget.⁵⁰ Although the governor had recommended \$121.3 million in property tax revenue from Clark and Washoe Counties to be used for the UNLV and UNR main instructional budgets in substitution for general fund appropriations, it was replaced with general fund appropriations by the legislature.⁵¹ The legislature also revised the required level of a school district's debt service reserve account. For Clark and Washoe Counties, it was the lesser of 10% of the outstanding principal or 50% of the amount of principal. The approved budget also reduced the total budget for schools to \$3.013 billion for FY 2011-2012 and \$3.070 billion for FY 2012, compared to the \$3.325 billion and \$3.364 billion approved by the 2009 Legislature for 2010-2011, a reduction of 9.1%. Guaranteed basic support (the foundation amount) was approved at \$5,263 per pupil in FY 2011-2012 and \$5,375 per pupil in FY 2012-2013, an increase of \$71 and \$111 per pupil, respectively, compared to amounts approved in the 26th special session of the legislature for 2011. Special education received no funding increases. Although the governor had recommended a 5% reduction of funding for school employees and elimination of merit pay for all state employee groups,

the legislature approved a 2.5% reduction and restoration of merit pay for K-12 educators. Tenure changes were approved along with granting the governor authority to appoint the state superintendent of public instruction. Teachers were to be considered probationary for three rather than two years. After achieving post-probationary status, if a teacher received unsatisfactory for two consecutive years, they would return to probationary status.

For higher education, the legislature approved salary reductions of 2.5% for all professional and classified personnel; 48 hours or 6 days per year of furlough leave; and suspension of merit and longevity pay, together amounting to a 5% reduction. The legislature restored funding for the NSHE to limit the decrease proposed from up to 29.4% to 15.3% compared to 2011. Also in response to budget cuts made during the 2011 legislative session, the legislature authorized and the NSHE implemented a policy change related to payroll in order to effect a one-time savings. A change was made to the pay date for all monthly employees from the last working day of each month, to the first working day of the following month, effective June, 2011. This resulted in an accounting transfer that would permit 11 months of expenditures funded with 12 months of receipts.

Subsequently, the NSHE Board of Regents approved a 13% surcharge on community college and undergraduate student registration fees for the 2011-2013 biennium. For graduate students, a 5% surcharge was approved for FY 2011-2012 with an additional 5% increase in FY 2012-2013. Of these increases, 15% would be set aside for student financial aid purposes, except at UNLV, where 25% of the surcharge generated for graduate students and 30% for law students would be set aside. Programs were reduced, degrees eliminated, and faculty downsized, but the most severe reductions were not enforced, as the economy continued to sputter and slowly improve.

Summary and Discussion

Hard times require hard choices from state lawmakers, education officials, and others particularly as related to education funding. Education comprises a significant portion of state and local budgets. When state budgets experience a shortfall, three key choices generally prevail: raise revenue, cut expenditures or make accounting changes. None of these is optimal, but decisions have to be made, and programs and services continued, while the future of the state rests in the balance. Yet, it is possible that a combination of revenue enhancements and strategic reductions can be made, preserving the system of public education until the economy recovers, given the political will.

This was the case for the state of Nevada. Funding was reduced for schools and universities, taxes were extended, and accounting changes were made, e.g., moving pay dates forward, thus eliminating a month of salary expenses. According to the Center on Budget and Policy Priorities (CBPP), states face a long and uncertain recovery.⁵² According to CBPP, "The Great Recession that started in 2007 caused the largest collapse in state revenues on record."⁵³ Reductions made during the downturn remain in effect. Since 2008, at least 46 states have enacted cuts in all major areas of state services, including

K-12 education (34 states and the District of Columbia), higher education (43 states), health care (31 states), and services to the elderly and individuals with disabilities (29 states and the District of Columbia).⁵⁴ Yet, state finances are slowly recovering. The good news is that, due to the fact that all states except Vermont have balanced budget laws, the shortfalls from 2009 through 2012 have already been addressed.⁵⁵ Strategies have included a combination of approaches—spending cuts, withdrawals from reserves, use of federal stimulus dollars, revenue increases, and accounting changes. Nevada, like other states, is coming out of a prolonged period of austerity with the largest shortfall projected among states for FY 2011-2013, a shortfall that now has been closed, at least for the present time. 

Endnotes

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²⁵ Nevada System of Higher Education, "Nevada System of Higher Education Responses to March 20, 2009, Budget Hearing Prepared for 'Work Session'" (Las Vegas, NV).

²⁶ *Ibid.*

²⁷ *Ibid.*

²⁸ Impact of budget reductions are taken from "Nevada System of Higher Education Responses to March 20, 2009, Budget Hearing Prepared for 'Work Session.'"

²⁹ Nevada Legislative Counsel Bureau, *Fiscal Report: Seventy-Fifth Nevada Legislature*, 129 ff.

³⁰ See also, Teresa Jordan, Deborah A. Verstegen, and Carmen Benedict, "Stimulating Nevada: The Impact of ARRA Funding on Education," a paper presented at the annual meeting of the American Education Research Association, Denver, Colorado, May 2010.

³¹ Teacher salaries are subject to collective bargaining agreements; therefore, actual pay decreases are negotiated with each local school district. State funds reduce overall district amounts, and the school district determines how reductions impact different areas such as teacher salaries.

³² For all other state employees, the 2009 legislature approved 12-day furloughs, an approximate pay reduction of 4.6% subject to change based on economic improvements. State employees were held harmless in the accumulation of retirement services credits, however.

³³ Kindergarten does not have class size stipulations in the state.

³⁴ Nevada Legislative Counsel Bureau, "Section V: Education," 85 ff.

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³⁶ *Ibid.*, 145 ff.

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⁵³ *Ibid.*, 1.

⁵⁴ Nicholas Johnson, Phil Oliff, and Erica Williams. "An Update on State Budget Cuts: (Washington, DC: Center on Budget and Policy Priorities, February 9, 2011), <http://www.cbpp.org/cms/index.cfm?fa=view&id=1214>.

⁵⁵ *Ibid.*, 2.