

You have heard a common refrain this morning regarding the economic stimulus bill - that is, the bill is very fluid and it is hard at this point to give concrete numbers or scenarios. While of course we will give you our best analysis, I ask that you do keep in mind that what I say now could change by the time this hearing is over. Additionally, our state numbers are also theoretical as our point of reference currently is the Governor's proposed budget, which of course could change during the course of this legislative session. As you change the state budget, the breakdown of the numbers from the federal economic package will also change. You know better than anyone that we are truly in one big "domino" situation.

So, with that background or disclaimer, I will focus my remarks today on the Title in the bill, and the "pot" of money known as the "State Stabilization Fund". This source of funding is unique in the bill in that it is funding that will go directly to the Governor, as opposed to how most of the funding in the bill is distributed, which will be through formula driven, dedicated revenue streams, through federal agencies or competitive grants.

The best estimates at this time put the funding for Nevada somewhere between \$520 million (House version) and \$510 million (*current* Senate version). These funds are allocated purely on the basis of population based formula which is

slightly weighted to factor in the population of 5-24 year olds per state.

While the funding goes directly to the Governor, there are federally mandated requirements on how the money is to be spent. First, as a pre-condition **to even receiving** the federal funds, the Governor must give an assurance that in both fiscal years 2010 and 2011, **State** support for higher education will not be funded at less than the FY2006 level, which was approximately \$560 million (\$559,616,539). This means the budget for higher education over the next biennium must be appropriated to at least that level, \$560 million, before we will qualify for any of the federal stabilization funds. The Governor's proposed budget recommends funding for higher education at approximately \$424 million (\$424,311,898) for FY10 and \$420 million (\$419,562,022) for FY11. So Nevada, at this point, would not even qualify for the federal funds because State support falls below FY06 levels. To reach 06 levels, and qualify for the federal funds, the state budget must raise the higher education funding level an additional \$136 million in Fy10 and \$140 million in FY11, a total of \$276 million over the biennium.

Once the Governor raises the proposed budget for higher education to the 06 level, thereby qualifying the state for the funds, the language in both the Senate and House bills requires

the governor to use a minimum of 61% of the stabilization funding, or \$300 million, to then bring education funding – both K12 and higher education - to the FY08 level. The FY08 higher education level was approximately \$640 million (\$639,293,540).

Therefore, our analysis suggests that from this state stabilization funding, higher education must receive \$160 million over the biennium, which would bring us from the 06 level, required as a precondition, to the 08 level, required as a priority use of the federal funds. I want to be clear at this point that for this analysis that I have assumed no priority funding to K-12 because the Governor's budget proposes funding for K-12 in an amount greater than FY 2008 level.

The remainder of the \$300 million, \$140 million, would according to the legislation then be required to support K-12 education. The bill mandates that the full 61% be used only for education even if that funds education at greater than the FY08 level.

That is our analysis of the statutory uses of the 61% of the federal stabilization fund that the Governor is mandated to spend, as a minimum, on education. Of the remaining 39%, or approximately \$200 million, the Governor may use the funds for public safety and other government services including education. In our opinion, it is unclear in the bill language whether the Governor has sole discretion relating to this 39%

or if he must work with legislature. We express no opinion on this issue.

There are other sources of higher education funding in the legislation. The bill provides money for capital modernization in the Higher Education Modernization, Renovation, and Repair section of the bill. Unlike the previous funds we just discussed, the bill stipulates that these funds will go directly to the state's higher education agency. There are a total of \$6 billion in the House bill and \$3.5 billion in the Senate bill. The funds would be distributed to States by formula in proportion to the State's share of full-time equivalent undergraduate students. We estimate that this would mean between \$35 million and \$60 million for Nevada. While the stabilization funds discussed above are allocated to and by the Governor, these modernization funds go to the higher education agency of the state for allocation.

As the section title suggests, funds are to be used for modernization, renovation and repair facilities. Examples including air and heating systems, lighting, plumbing, electrical, etc. Increasing energy efficiency at facilities, improvements to science, engineering and library buildings. The Senate Bill also permits funds to be used for leasing or purchasing of equipment designed to strengthen and support academic and technical achievement. The language casts a fairly wide net.

State higher ed agencies are instructed to award the funding to individual institutions based on need with priority given to institutions that serve high numbers of minority students and those that have been impacted by a major disaster and to projects that improve energy efficiency. Community colleges are given special consideration with the bill requiring that funds to community colleges be based on the percentage of FTE students attending community colleges relative to the total number of the state's FTE students. Unlike the stabilization funds, there is no provision for minimum state support for CIP to higher education as a precondition to receipt of these funds.

Prohibitions include new construction or using the funds for ongoing maintenance. There is also a prohibition on using the funds for repair or modernization on sports stadiums.

These sections offer the most direct funds for higher education. However, the possibilities for additional funds, through grants and other funding streams, for education are plentiful, including: science and science education, telemedicine, nutrition, rural health programs and facilities, technology, broadband, IT, justice, research equipment, geologic carbon sequestration, renewable energy development, facility renovation, small business programs, water infrastructure [repair, renovation], habitat restoration, geriatrics and gerontology, auto-immune diseases, health care workforce

training and development, veterans affairs, firefighting training, and military readiness centers. These sources of funding will flow through appropriate federal agencies and we would expect institutions and departments to working closely with those agencies to compete for and secure funding wherever possible.

Finally, regarding higher education specific funding, I wish to mention support that will be going to students and their families for higher education. Pell grant funding will increase substantially, providing more funds for students. The bill also provides for greater tax breaks for higher education spending.

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I have gone over numbers with you that are meant to flow directly from the stimulus package to higher education. However, there are significant amounts of money coming to Nevada for other projects in other areas through dedicated federal revenue streams. These include transportation and infrastructure projects, public school construction, health care, etc. To the extent that relief is provided to state obligations by federal dollars, it is my hope that consideration would be given to providing additional state dollars to higher education. I understand this is something you hear from every agency in the state. With this potential funding, you have difficult choices before you but also new opportunities. We appreciate the

support you have given to higher education, and I want to take this opportunity to thank you for that support and to ask for your continued help.

I am happy to try to answer any questions you might have.