

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 5, 2008
Agency 50 and Agency 51
Rough Draft

SENATOR HEIDEMANN: Open up the public hearing on Agency 50, Nebraska State Colleges.

Before we start, I'm going to announce that one of the things that we're going to deal with today is talking about the student information system that both the college system and the University of Nebraska is interested in. And because of that, we are going to let Agency 50 talk about the issues that they have today, but at this time will not talk about the SIS system. When Stan gets done talking about Agency 50, we'll close the public hearing on that agency. We're going to open up a public hearing on Agency-- a joint public hearing on Agency 50 and Agency 51. We will have J.B. come up at that time and Stan can take off and talk about his issues with the SIS and then we'll allow the university at that time to follow up on that. We will close that public hearing at that time when that gets discussed and we will open up the public hearing on Agency 51 and then the university has some more issues that they want to take up with us. So with that, Stan.

STAN CARPENTER: (Exhibit 2) Thank you, Senator Heidemann. Members of the committee, my name is Stan Carpenter, S-t-a-n C-a-r-p-e-n-t-e-r, and I am the Chancellor of the Nebraska State College System. And I appreciate the opportunity to come to you this afternoon and chat with you a little bit about our deficit request. And as Senator Heidemann indicated, most important deficit request, of course, is the SIS/SAP system that we're going to be chatting with you about in just a little bit. But before I get to that, I want to talk about two other requests that we had before you. One is the request to help us deal with the increase in the federal minimum wage increase and the other is to help us think about funding a part-- half of the directorship of the new South Sioux City Learning Center that we are partnering with, with Northeast Community College. Let me just say that I come to you today with good news about the

Nebraska State Colleges. Our enrollments are up across the system this year. Nearly 8,400 students enrolled at Chadron and Peru and Wayne State Colleges this past fall. That reflects about a 1.5 percent increase from the last fall. And the fall of '06 was a 5 percent increase over the fall of '05. So our numbers are growing. We've also seen an increase in our graduate enrollments of 18 percent in the last three years. And one of the things we want to do is to continue that growth and to assuring that growth we think that the new SIS and SAP system that we'll chat with you about in a little bit will be very critical to that. But let me come back to the other two requests that I just want to take about two or three minutes with you on. Following our biennial budget request last year and your establishment of that request for us, we received news, like everybody else, that the federal minimum wage was going to increase in three steps over this year, the next year, and the year after. We had, of course, prepared for our negotiated increases with our unions and were ready for that, but we were not ready for the increase in the federal minimum wage. We have many students who work for us, and those are the folks that earn the minimum wage at our institutions. They work for us mostly because they need to earn money to continue their college education. And they work in areas such as library services, custodial and grounds, computer labs, office assistants, desk workers of all sorts in various and sundry areas. So it's important for us to make sure that we can obviously comply with the federal law, but also have them make as much money as they can to make sure they can earn enough tuition to come and stay at our institutions. The impact may seem fairly modest to you, but for those of us on small and tight budgets, it's fairly significant. In this year, the federal minimum wage increase will affect us to the tune of about \$116,000. And next year it will double to about \$232,000. And the year after that it will triple to about \$348,000. Those are ongoing costs that we need to make up on our own or say to our student workers, we can't afford to

have as many of you as we have now, even though we need to have that work done and therefore there will be fewer student workers who can participate in those efforts. The other area that I'd like to chat with you about for just a moment is the request that's related to the college center in South Sioux City. That total request for us is about \$52,075. And I've been before this committee several times talking about that project. It's a unique project. It's a project that we're partnering with the Northeast Community College to put together to bring higher education to an area of the state that we believe is underserved and an area of the state that is growing quite rapidly. The \$52,000 would be about half of what the director would cost. Northeast Community College would pick up the other half of that cost. And that, of course, is just the beginning of our coming back to you in fiscal year 2009-2011 request for operating expenses for that particular facility. This is, as I said, a unique and new approach to providing higher education in the state of Nebraska. And I believe that any time that we can spend planning in advance of a completion of a building before we actually begin to offer programs there will be well spent. And some of the preliminary objections that we're looking to have the new director be included on-- included in are things such as making sure that our facility design matches the programmatic needs of both of our institutions. We also want this person to be there almost daily as the construction of this building takes place. We need to have somebody there to look out for our interests and the community college's interest as well. We want them to be able to look at staffing needs. We want them to begin to hire staff when appropriate and to train those staff so that we can provide students with a seamless and integrated service to this center so that when students come to us, to the center either from high school to participate in Northeast's programs or if they're finished with Northeast's programs and they're now moving on to our program, we want to make sure they can do so seamlessly and without any kind of barrier. So with that, I would be happy

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to answer any questions you might have about these two requests. I want to thank you for your continued support for the state colleges because it's critically important to us.

SENATOR HEIDEMANN: Senator Wightman.

SENATOR WIGHTMAN: Mr. Carpenter, I guess do you have a timetable on when the building might be completed?

STAN CARPENTER: We expect it will be completed 2000--where's Caroline?

_____ : Fall of 2010.

STAN CARPENTER: Sorry?

_____ : Fall semester of 2010.

STAN CARPENTER: Yeah, 2010, that fall semester. We're still working on, obviously, getting full funding for this. We have our share from the Appropriations Committee and the Legislature.

Northeast is working on that. We're working to raise private funds and also, as difficult as this may sound, to working on trying to get some earmarks from the federal government to help us in this project as well. But that's our goal at this point.

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SENATOR WIGHTMAN: Does this \$52,075 that you're asking for, for an executive director, when are you assuming he will come on board?

STAN CARPENTER: Well, we'd like to have him on board as soon as possible, hopefully before next year so that we can get them really on the ground floor, the planning of this entire project. We have just hired an architectural firm that is Northeast and Wayne State College have been through the process so we now have an architect who is beginning to work on the drawings and the plans to put that together. And we'd like to have somebody on board as soon as possible to begin integrating themselves into that process as well as working with both the colleges on the programmatic aspects and making sure that all fits together.

SENATOR WIGHTMAN: Thank you.

STAN CARPENTER: Yes, sir.

SENATOR HEIDEMANN: Senator Synowiecki.

SENATOR SYNOWIECKI: Thank you, Stan.

STAN CARPENTER: You bet, John.

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SENATOR SYNOWIECKI: What's the vision with the building once it's completed? That existing staff in both the college and the community college will-- are we talking about new staff occupying the building--

STAN CARPENTER: There--

SENATOR SYNOWIECKI: --or existing staff being assigned to that new building?

STAN CARPENTER: I think there will be a combination of that, John. We'll need some people there on a full-time basis to do recruiting, working with students, working with businesses, hopefully reaching into the education world up there into the K-12 system to bring people in and to make them aware of what's going on. Programmatically, I'm sure that we'll be bringing faculty members from both institutions to do courses at one time or another. And, you know, we haven't sorted out exactly how that kind of staffing will sort out. But we do know there will be a need for some permanent staff there. We will not be able to take permanent staff from either Wayne State and I presume from Northeast as well and take them up to staff that on a regular basis. We could do that on an interim basis to get started, so on and so forth. The programmatic access, the faculty aspect, the teaching and so on and so forth I'm sure will be faculty from both institutions coming up as well as using the use of adjuncts.

JOHN SYNOWIECKI: But do you have any preliminary projections on what the new staff cost would be?

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STAN CARPENTER: I don't think we have those projections.

_____ : [INAUDIBLE] but they were in the program statement [INAUDIBLE] previously.

STAN CARPENTER: And we can get those for you, John.

SENATOR SYNOWIECKI: Thank you.

STAN CARPENTER: You bet.

SENATOR HEIDEMANN: Senator Engle.

SENATOR ENGEL: One thing, the drive for personal funds has already started up there is well organized and they're up and running so I kind of feel like they'll be very, very successful early on to get the money. So it will happen. It will happen.

STAN CARPENTER: I believe that's right. Both President Path and President Collings at Wayne State are working together collaborating and I know that there's been a feasibility study done that everybody has been involved in. And so we're working hard to raise those private funds to finish the building at the size that we think is necessary and essential to make this a successful project.

SENATOR HEIDEMANN: Senator Harms.

SENATOR HARMS: Yes. I just had a couple questions I wanted to ask. As you began to look at your planning there, have you in your planning process, have you determined what courses you're going to offer, what the needs are of the community? And when you design that facility, are you going to design it around that and then also going to get out of the box for a few minutes and look at the future beyond what you're just looking at now?

STAN CARPENTER: Yes, Senator, we have looked at the needs in a general sense. We did a needs assessment. The community college has some specific ideas in mind already as we do as well, obviously in terms of one of our strengths is education. We expect they're going to reach out and try to bring people into that market.

SENATOR HARMS: I guess my question, Stan, is have you really documented what they want?

STAN CARPENTER: Yes, we have. We have, Senator.

SENATOR HARMS: A lot of times higher ed will go in and think that this is what we're going to do and they don't want it.

STAN CARPENTER: No, no, Senator. We looked at Wayne and Northeast did a needs assessment. They have some specific ideas. I can't relate to you what they are, but they know what they think the community is looking for educationally.

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SENATOR HARMS: Are we looking, let me just go a little further, are we going to be looking at any of the vocational side other than-- I know academic transfer will probably just do fine, but what about the vocational side? And secondly, are you giving any thought at all because that-- because what the population base is as I look at that area, there's a phenomenal opportunity to do short-range impact training for business and industry. That's a big market. Are we going to look into that? And are you going to design those facilities for that?

STAN CARPENTER: Senator, from my recollection in talking with Bill Path as this process has gone on, they have some very specific vocational programs that the community college is looking at there.

SENATOR HARMS: Okay. Separating that out though, Stan, in regard to specific training for business and industry because the community college has and your institution has a great opportunity in this partnership to be one of the major thrusts for economic development.

STAN CARPENTER: I agree.

SENATOR HARMS: It's a great tool for that. But if you don't design it that way, you'll fail miserably. And that's what I'm really trying to get to is are you looking at anything that's going to deal with short-range impact training? And then are you going to adjust your curriculum so that you can add associate occupational study degrees and the certification requirements for what these companies are going to want? Because that's big business.

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STAN CARPENTER: The short answer to the question is yes. And one of the reasons that we're very interested in having an executive director in place as soon as possible is to be able to make sure that those needs, as they have been articulated to us, are reflected in the design and structure of that building. And also then to play a role in moving out and getting out into the community to say to business and industry, what is it that you need? How can we help you train your workers, reeducate your workers to make them successful in your industry? So the answer is yes.

SENATOR HARMS: Okay. Are you looking at technologically of tying the three entities together: thea new center, Wayne, and community college--

STAN CARPENTER: Absolutely.

SENATOR HARMS: --so that you can actually teach, you know, from--

STAN CARPENTER: Yes.

SENATOR HARMS: --your main base?

STAN CARPENTER: Yes, that's absolutely correct. And we're looking at ways to connect through the three institutions, whether it's through on-line or through video, whatever; but all those things are part of the discussions that are going on. And I would expect that we would be connected fully.

SENATOR HARMS: Other levels of higher education, some of the things that probably you don't offer might very well be some needs for short-range impact training. Where does the University of Nebraska fit into this and what kind of a partnership can this package be? Because I guess what I'm really looking at, Stan, here is this is a great model. And if it's done appropriately, I think the partnerships in higher education are going to be the key to the future. We're all not going to stand by-- I shouldn't say all because I'm no longer in this business-- you're not going to stand on your own in the future. The funding is not going to allow it to happen. Enrollments aren't going to allow it to happen. And partnerships are going to be critical in how we design ourselves and think for the future. And are you starting to look at that? Because it has a great potential here.

STAN CARPENTER: Well, Senator, and J. B. can address this as well, we had a meeting early on on this process and talked about the university's role in this and it was decided at that point we would go forward. That did not mean and does not mean that the university is excluded in any way in this. And in fact what we have said to the university and anybody else, whether it's another community college or a community college or another institution in Iowa or South Dakota, whatever, if there are programs that that area needs that we can't service or that Northeast can't service, we will find somebody to do that.

SENATOR HARMS: The other question I wanted just to ask, and I'm not picking on you here, I just have--

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STAN CARPENTER: I welcome the questions.

SENATOR HARMS: --I'm very supportive of what you're doing.

STAN CARPENTER: I appreciate that.

SENATOR HARMS: I just have-- the other question I have is as far as your union is concerned, how do you actually deal with a faculty payment when you're on state college and you're on the community college and you have different fringe packages and different fringe benefits and even have different portions of how you do your retirement? How are you going to put all that together and not get ourselves-- yourself into a legal issue?

STAN CARPENTER: Yeah. Well, at this point, Senator, it would appear to us that [INAUDIBLE] the community college programs will be offered through the community college solely. And our programs, whatever they might well be, will be offered through our institution solely. Therefore, there won't be a crossover of faculty issues. The question might be more appropriate to what do we do with staff positions? And I guess the question has to be answered do we share those staff positions or do we say, all right, this staff position is yours and this one is ours? Now that leads us to some inequities or there could be some inequities, but we haven't really sorted that piece out yet.

SENATOR HARMS: What about tuition? What about having to have variable tuition? You're going to have two different kinds of tuition because--

STAN CARPENTER: It will be tuition based upon which institution a student is enrolled with. So if they're enrolled with the community college to take an English 101 course or an electrical engine course it will be that tuition. If they're enrolled with us, for example, I expect we'll also be offering graduate programs there. They would pay the graduate level tuition.

SENATOR HARMS: So would the community college be the one that just offers the lower division, freshman, sophomore--

STAN CARPENTER: Yes, that was--

SENATOR HARMS: --or will you be able to come in and actually offer some of that because they [INAUDIBLE] can't find someone but you have a spare teacher that might be able to do it?

STAN CARPENTER: Our agreement with Northeast is that they would offer the first two years of academic programs. If they couldn't do it, didn't want to do it, found that for some reason it was not reasonable for them to do it, then we would do it then. So we're not going to be in competition with them for those kind of programs.

SENATOR HARMS: Well, if you're in a partnership, competition doesn't really make any difference.

STAN CARPENTER: Well, right, but we didn't want to be in there saying--

SENATOR HARMS: What you're really wanting to do is make sure it's a seamless environment because the students don't want to get caught in between different kinds of policies and procedures. What I can tell you from past experience you'll have some litigation on your hands.

STAN CARPENTER: Well, and let me just remind the committee that about a year and a half or so ago we entered into a joint enrollment program with the community colleges so that if you're enrolled at Wayne State College you're also theoretically enrolled at Northeast. If you only take a course at Northeast, you don't have to jump through all the hoops, you don't have to go through enrollment. You take them over and say I'm enrolled at Wayne and I want to take an English 202 course or vice versa. So I think we've already set the stage, if you will, for having a fairly seamless transition from Northeast to us or from the community colleges to Wayne at that point.

SENATOR HARMS: Well, thank you very much. I commend what you're doing and I know you'll be successful.

STAN CARPENTER: I'm convinced we will be and I think there will be a terrific model for the future as well. Thank you.

SENATOR HARMS: You're welcome.

SENATOR HEIDEMANN: Senator Engel.

SENATOR ENGEL: I guess just add a little bit to what John said there as far as what they're doing up there like certain industries. Well, Phillips Kiln is a big industry up there and they have furnished a kiln for Northeast--

SENATOR HARMS: That's correct.

SENATOR ENGEL: --to have trains on. And those jobs, those are \$70,000 and \$80,000 a year jobs. But you can't export that to a call center. It's hands on. And the same way BPI who has invested \$400 million up there and 300 good paying jobs in the \$50,000, \$60,000, \$70,000 range, same way [INAUDIBLE]. And another thing is what they're doing coming down into the high school and-- to local high school and having the counselors there talk to a lot of these students about, you know, everybody's not going to be a doctor or a dentist or scientist or anything like that, but these are very good paying jobs that you can--

STAN CARPENTER: Right.

SENATOR ENGEL: --get into. You get into the profession by going to this facility here and working for this particular trade, specialized trade. So to me it's from the beginning because demographically it's a win-win situation so I really appreciate this happening.

SENATOR HARMS: I think-- Mr. Chairman--

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SENATOR HEIDEMANN: Senator Harms.

SENATOR HARMS: The partnership I think that, Senator Engel, that they're going to have in the community is going to be absolutely phenomenal. You're going to find some even greater things occur once you fire up and people see what you can do and you actually get into the community, you're going to find things that companies are going to give you that you never dreamt you could get. It's a great partnership. I commend what you're doing.

STAN CARPENTER: Thank you. We're very excited about it.

SENATOR HEIDEMANN: Are there any other questions? Seeing none, at this time we need to make sure that there isn't anybody else that wants to come up and testify on Agency 50, the Nebraska State Colleges. Seeing none, we're going to close the public hearing on Agency 50, Nebraska State Colleges. We're going to open up the public hearing on-- joint public hearing on Agency 50 and Agency 51 and we will be dealing just at this time with the SIS system. We'll let the state colleges take off first and let us know their issues on the SIS. And if you want to-- if you want to give us a little bit of a general overview and your deal about how things have come together a little bit.

STAN CARPENTER: All right. I'd be happy to do that. Thank you, Senator Heidemann and members of the committee. I remain Stan Carpenter and am the Chancellor of the Nebraska State College System and thank you for the opportunity to chat with you about our partnership with the university dealing with the SIS and SAP project. The handout that I gave you, that

one-page handout, basically shows to you the numbers that we have and we can talk about that. But also at the bottom there are some acronyms that you may just want to take a look at because I'll be referring to SIS, which is the Student Information System, and you can see there kind of what that means, and then the SAP system, which is what we're going to be trying to migrate to with the university for our financial system. You may recall that last year when we came before you we had on our biennial budget request a request for funding for a new enterprise resource system or ERP. That was about seven or eight places down the list, but we came to for that because we knew that our Student Information System at that point was about 20 years old and that it was seriously lacking in areas that we needed to be effective in. We also knew that the Nebraska Information System, which is how we deal with our financials, was a system that wasn't designed to necessarily to cope with higher education financial issues. And so we thought at that point that we ought to come to you and say we need a whole new enterprise resource system. Shortly before we came to you last year, we received a letter, as I believe the university did, from our SIS system provider saying that they were not going to continue to provide service or maintenance for a Student Information System. That then gave to us a sense of urgency for us to really begin to think about how we were going to deal with this problem. So following that letter and following our biennial budget request, we put together in the state college system, the Nebraska State College System a task force of folks to look at our needs for information technology. And that was to look at both the SIS piece of that and the financial piece of our enterprise. They worked starting in March, led by Vice Chancellor Ed Hoffman. Ed is Vice Chancellor for facilities, planning, and information technology-- and about 20 or 30 folks or maybe fewer than that, but worked together across the system to figure out what our needs were, what our real needs were for student information and what our real needs

were for financial information. They developed a needs statement and from that they then came forward and developed a request for proposals. That went before our board of trustees and was approved and was sponsored by, if you will, our executive council which we call the Council of Presidents. That was put together in June and sent out in late June of last year. And in August, about mid August, we received about five proposals back from vendors dealing with both sides of-- both pieces of our puzzle, both the SIS piece and the financial piece. That task force came back together, reviewed all those proposals, and then selected three vendors to continue working with. In mid October, about 25 or 30 people from across the Nebraska State College System, spent six days together in North Platte, Nebraska, hearing from those three vendors, two days each. And in fact, we also invited a representative from the University of Nebraska to join that-- join those presentations and they were there for at least two of those presentations. Before we ever really got seriously into this process and during the process, we did have conversations with folks at the University of Nebraska about the potential of joining together and partnering on this project. But it became apparent that we were coming from a different position than they were at that point. We were looking for an entire enterprise resource system. The university was looking to simply replace its SIS system because their SAP system, which is their financial information technology system, was serving them just fine. But we were concerned about NIS and our needs as a system of higher education. So we did have discussions with them, but essentially said at that point we weren't capable of kind of working together as we had been for a while now. Subsequent to all that kind of stuff, we've kept the Governor informed as to what our needs were. We let him know about our deficit request and ultimately had a meeting with him to bring him up to speed on that. And he was quite interested in that, knowing that the university was looking to replace its SIS system as well and wondered whether or not we might

be able to work together with the university. And at that point, it was still a little difficult for us to do that because we still had a different track that we were following. We needed the financial piece or we felt we needed the financial piece as well. And we were hoping that when we got a different financial piece for this that we could then interface like the university had done to the NIS system so that we could provide the state with all the financial information back and forth across that interface. The Governor, as I said, became interested in this and called us back to another meeting and discussed our issues and asked us to provide him with some information about some of the shortcomings that we felt NIS had in terms of meeting our needs as a higher education enterprise. Eventually, the Governor then called another meeting where he invited J.B. and folks from the university and us and folks from the Chief Information Office of the state and DAS and so on and so forth. And the Governor was very interested in us forming a partnership with the university as we were if we could do it. But what it took for us to be able to form that partnership was the Governor saying what we can do now is let you, the Nebraska State College System, tap into, if you will for lack of a better word, the Nebraska-- University of Nebraska's SAP system or their financial system. That's a financial system that, as I said, is designed for higher education specifically. So that met a lot of our needs then and was also a much more efficient way for us to get our needs met through the financial information system than going out and buying a new one. Once that hurdle was cleared, if you will, then it was very easy for us to say to the university, we'd love to partner with you on the SIS piece of this. So in satisfying our financial needs, we were able then to move forward and work with the university on the SIS piece of this project. And I want to say that the university has been extremely welcoming, extremely easy to work with. I think that that comes from President Milliken from the very beginning when he said that this was an important project for them. And I think that has

filtered down to everybody and we've had nothing but a terrific run with the university at this point. Let me just chat for a moment then about the funding if I can. We had initially sent to you a request for-- a deficit request for \$8.9 million for our ERP system. Once we were able to partner with the university, then you received from us another letter that said between the two of us we need about \$22,153,000. And of that, the Nebraska State College System needs about \$6,153,000. That's obviously a significant reduction from the \$8.9 million that we asked for before. But because we had vendors who had given us proposals and because we had some numbers to work from, we could work with the university very closely and carefully to say this is what we can actually put this system together for. I appreciate the Governor very much putting into his budget request the \$10 million and I want to thank this committee for looking at that \$10 million and saying, okay, out of that the share that should go to the Nebraska State Colleges would be about \$2.8 million and the university will receive kind of the rest of that \$10 million. I would ask that the committee seriously consider, however, funding fully our request this year. And I know that things are difficult and money is always tight, but from my perspective, and I'll let J.B. speak to the university's perspective, but we will incur, I believe, debt of \$6.1 million in the first year of this project-- buying the software, buying the licenses, buying the hardware, working with the university in terms of our costs to move into the SAP system. So if we don't have a full funding of that for the coming year, we'll probably have to borrow money, either through the bonding process or through the state's leasing, master leasing program. So I'd ask the committee to think about that as it goes through its deliberations. In addition to these one-time costs, we will also have some ongoing costs in the neighborhood of about \$505,000 roughly. That's about \$100,000 less than new and ongoing costs than we asked for in our initial deficit request. And a lot of that is because of this partnership-- that reduction is because of the

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partnership that we have with the university as well. If you are able to fund that for us either this year or over a couple of years and those numbers hold as we go through the RFP process, and I believe, J.B., the RFP is going out today, then we won't come back to you and ask you for any more money.

_____ : Oh-ho.

STAN CARPENTER: On this project [LAUGHTER], not forever, thank you.

J.B. MILLIKEN: The we only refers to [INAUDIBLE].

STAN CARPENTER: The Nebraska State College System, yeah. But that's kind of how we got here. That's kind of the overview. I just want to say, publicly want to thank the Governor for his interest in this project. I want to thank the Governor for his willingness to help us tap into the SAP system at the university which got us over a very serious hurdle so we could then move to a partnership with the university. And I want to thank him for his \$10 million down payment on this system and hopefully we can fully fund the rest of it. And I want to also thank all the folks who've worked very hard on this. The university, as I said, has been very welcoming. Linda Pratt, the executive vice president and provost has been terrific to work with on this and everybody at the university has as well. And I thank the committee for its support and I'll be quiet now and let J.B. go.

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SENATOR HEIDEMANN: I think that would be best. We'll let J.B. do the university's part and at that time we'll open it up for questions.

J.B. MILLIKEN: Thank you, Mr. Chair. Members of the committee, I'm J.B. Milliken, President of the University of Nebraska. And I'm delighted to have Chancellor Carpenter join me to talk about the State Fair today. A little bit for later. Delighted to join my partner, Chancellor Carpenter, in a joint request for funding for the Student Information System to serve the needs of both of our systems. I want to begin by emphasizing what I think is the historic nature of this partnership. Senator Harms mentioned earlier the benefit of partnerships in that case between Northeast and Wayne. I think this is a historic partnership. This is-- there has never been in my, to my knowledge, a partnership between the State College System and the University System on an effort of this scope and this importance to each of us. So I think this is a significant change in the way we do business and it's good for the people of Nebraska. Student Information System, or SIS, has been now in all of our vernacular for a number of months. But it is-- I can't emphasize enough how important this system is. It is the backbone of any higher education institution. It is essential for every aspect of the institution, of management of it. From initial recruiting of students to dealing with alumni records after they leave the institution. Every, every university in this country has to have one, and they are always expensive. There are a limited number of participants in this market that offer student information systems at the scope and complexity that the university requires, and certainly that this partnership requires. But it is a very necessary expense. As the committee knows, this funding request from both sectors is not new. It was included in our biennial budget request that was developed and, and approved by our board in the summer of 2006 and was submitted that fall. As was a request in the biennial

budget from the State College System. It was reviewed at that time by the NITC, the Information Technology Commission. And the NITC gave its highest rating to the proposal, a Tier 1 mission critical project for the state of Nebraska. And as Stan mentioned, to add to the urgency of this, we received a letter, as did the state colleges, informing us in 2007 that the vendor that supports the core elements of our Student Information System will no longer support that after 2011. The university currently has multiple systems on our four campuses, some dating back to the 1980s. In the intervening years, we've seen significant improvements in what the technology can provide to us to be able to serve our, our students and to serve the increasing requirements, both federal and state and our own, for data collection and analysis and changes to the university structure, which have been significant with the addition of a new campus since these systems were put in place. And higher expectations for information and service on the part of students and faculty, families and policymakers. It requires a significant investment. It isn't glamorous, but it's essential. As Chancellor Carpenter explained, both the university and the state initially intended to purchase new student information systems. And as he explained at the urging of the Governor, and might add that NITC and the Coordinating Commission, we came to an agreement to work together on a single solution that would serve all of our students. And over the long-term, not only with this project, but I believe in other areas as well, provide more cost-effectiveness to the people of Nebraska in the way we operate. So shifting this from our perspective, from a project that included four campuses with almost 50,000 current students, and then add to that recruits and alums, this has added a level of complexity, significant level of complexity, to an already complex project. But I'm, like the Chancellor, proud of the spirit of cooperation among our staff in the way that they've worked together. I think it's been a model effort. As the Chancellor indicated, we hope to release the RFP today, hope to be in a position

to have made a selection and begin working together in earnest on the implementation this summer. You know that in his state of the state and his budget message the Governor recommended a deficit appropriation of \$10 million for this biennium for this project. He referred to it, if not in his speech at that point, in other occasions as a downpayment. That he recognized that that wasn't the significant funding, and I know he has contemplated the \$10 million in the next year beyond this biennium. I'm very grateful for the Governor's support of this project and his recognition of its essential nature. I would suggest as had the Chancellor that the way to address this is with one-time funding for the expenses that we will incur in the year starting July 1. One distinction I would make, and Stan, I think, made this in a very bold statement, when he said if you fund this the state colleges will not be back. It will cover their investment. I can tell you that it will not cover the entire university's investment. We have always been clear about this, that these are the one-time, and that's why we've sought one-time funding, one-time implementation cost. They are to buy hardware, software, to pay for the consulting services and the training services that, that are engaged in the implementation. There will be ongoing maintenance costs for this system that, as with any major system, our SAP system, our previous SIS systems, we will allocate funding for that this year, but there will be additional ongoing funds in the future. The project is on a fast track now, our teams have been working well together. We hope to have this approved and working on this summer. Our goal is to have it operational in 2010. We need to run it side by side with the existing systems before support ends for the current system, so we get all the glitches out, have it-- and then have it completely operational and have a track record for it, with it before the new system is on-- is in place. And I want to be clear about one thing, that you will hear from me a testimony later in the next agency hearing about other priorities. They're very important, this is the university's highest priority this

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year. The partnership with the state colleges is essential. It's our highest priority for this session. It's not optional, it's mandatory for us. We will have to pay for it one way or another. And I enthusiastically join my partner, Chancellor Carpenter, in asking this committee to seriously consider full funding for this project so that it can be completed in a collaborative, timely, and cost-effective manner. Appreciate your time.

SENATOR HEIDEMANN: I appreciate both of you coming up and testifying together. I agree with the Governor that we have two agencies that are willing to come together and work as a partnership to make something work out. I've come to the realization that it isn't optional, I agree with J.B. on that. We do need to move forward on this. And I agree with the Governor that, because of the willingness of the partnership that we need to reward that and fund this at this time. It will be interesting as we go through the process, how much we can do to help you this year. I will say a lot depends on the February forecast. So with that, I want to start with a question and we'll open it up for everybody else. This looks like a very good partnership, it looks like things are going good. But I'm going to ask you the question, is this doable and what makes you nervous about, about the partnership? Stan or--

J.B. MILLIKEN: I'm enjoying-- who gets rebuttal? I'll tell you what makes-- I'll start, since the microphone is pointing this way, and I'll give my partner the hammer here. What makes me nervous is not so much, is not the partnership at all. What makes me nervous is the same thing that would make me nervous if we were doing this alone. These are, these are complex resource and people-intensive projects. You can look across the country at the experience of other universities that have done this. And what-- the only way that I will get sleep at night is if I

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believe that we are devoting the best people have to this and going after it as aggressively as we can. We have retained a consultant at this point who has led and assisted the development of RFPs, the selection process and the implementation at a number of other large universities. So we started early on to get the best advice we can get on how to frame this, how to understand what our needs are on each of these seven campuses, how to frame this in an RFP that will get the responses that we are looking for that are the most competitive and serve our needs. And then they're-- they will help us review though. So we've already made an investment in trying to increase the level of, of resources and expertise that we can apply to this. But that's-- these projects need to be very, very carefully managed. We've got very smart people working on them. But you have to be vigilant over the entire process, not just the selection of a, of a vendor about how well you manage this to hold the costs down.

SENATOR HEIDEMANN: And you're confident in two or three or four, let's say four years that you're going to look back at this and say, this was a good deal?

J.B.MILLIKEN: I think I'm confident that we are going about this the right way, that this partnership to address the needs of both systems is the right way to do this. I'm excited about it. I think we can make this work and I expect that our experience will be better at this than some other places have been. These are difficult processes, but I'm convinced this is the right way to go about it and that right now we have the right people working on this.

SENATOR HEIDEMANN: Thank you.

STAN CARPENTER: I would echo what President Milliken has said. These projects are difficult.

As I was leaving Vermont to come here, we were going through that transition and I was in charge of that. I was pleased to be able to leave that at that point and give it to somebody else.

So I think, not to be trite, but the devil is in the details as to how we make this work. The partnership does not give me any, any cause for concern whatsoever. I think this partnership will be sound and strong and well into the future. I'm concerned about costs, just as J.B. is. I'm concerned that, if in fact, these numbers don't hold that we've projected for you then, then I will be back for additional money. If the vendors tell us that it's going to be more than \$22.153 million or more than \$6.153 for us. And I've seen, as we all have these projects get out of control at other, at other institutions of higher education where it just seems to take on a life of its own. Having said that, I think that the personnel that we have involved from the State College System and from the University System will keep solid control of that, that we'll put an RPF out that says to folks, and we'll negotiate a final contract that says: This is what we're going to spend and this is what you're going to do and this is the timeframe in which it will be done. He said confidently. But I don't-- that's, that's the sense, my only sense of angst about this.

SENATOR HEIDEMANN: The only comment I have, I just want to make sure that you're comfortable with it. This is a major investment, not only for the college system, but for the university and the state of Nebraska, do it right. That way we don't have to sit here in a couple of years and have to readdress something again. With that, Senator Harms.

SENATOR HARMS: Yeah. I think that \$22 million that you're talking about is a bargain to be real frank with you. I have a pretty good understanding about systems. And I would tell you that

your biggest issue that you're going to run into is your staffing and training. That is a huge issue. And the university is complex and the state college is complex. There's so many different components there. But the biggest issue is going to be able to train the people and the attitude of people to understand that this is the way it has to be. If you have long-term staff, you're going to have a problem. I've been down that path. I understand that path. And it is going to be an issue for you. And so that's the thing that you're really going to have to concentrate on. The other side of it is in regard to your request for proposal, you've already had people in that probably have given you some suggestions of what they could do and that sort of thing [INAUDIBLE]. Is there any companies that you have any high interest that you think caught your attention like DataTel or others. I'm really familiar with DataTel, others that are?

J.B. MILLIKEN: I'm not sure, Senator, that I'd be very comfortable--

SENATOR HARMS: Yeah, I understand.

J.B. MILLIKEN: --responding at this point. There are a limited number of vendors who can respond to a request to address a system this large and this complex. We do have a fair understanding of what their capabilities are. We have laid out a philosophy in the RFP, it is repeated throughout, that our goals are functionality to serve our campuses, data reporting and analysis for decision making at all levels, policymakers on down to department levels, and third, as cost effective as possible. And the third one is pushing up against those other two at every turn. And we have invited the-- we are inviting all vendors to suggest the most cost-effective ways that they can address this. And there will be some changes required of our staff when

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we're purchasing a new system that will address seven campuses. You're absolutely right. And as I think-- as I know you know, Senator, the single largest cost out of implementing a new system is the cost for people, the training and the hiring of people to implement it and run it.

SENATOR HARMS: I would be really surprised, I hate to say this, that if you could make it by 2011 because that is a huge issue for you. And I hope-- I commend what you're doing and it's time to make the change; but, boy, it's going to be tough. That's a tough chore to get through and you'll have your hands full.

J.B. MILLIKEN: Yes, sir.

SENATOR HEIDEMANN: Senator Nelson.

SENATOR NELSON: You're both requesting full funding here this full year. And I think Chancellor Carpenter said if you don't get it that you might have to borrow money and pay interest. How about the university, what alternatives do you have if you don't get full funding?

J.B. MILLIKEN: Well, I guess the first thing I'd say is when you-- full funding, we're asking that this request be funded in full. But as I think Senator Harms has suggested, we have kind of reduced this down to what we estimate, short of having the proposals in hand, is about the minimum that we will be able to get by with spending in the next year to implement this. So if we are able to do this with the funding that's in this request, we'll be quite successful, point one. Point two, it's a necessary expenditure and we will have to find ways, haven't explored those

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yet. But in my discussions with the chancellors, they are aware that one of the ways that we would have to try to fund this is by reallocating from other programs. That's not an attractive alternative to cut programs within the university to fund a computer system that is used to run those and manage those programs, but that's the alternative that we have.

SENATOR HEIDEMANN: Senator Engel.

SENATOR ENGEL: Hello, J.B. You mentioned you would be back next year and that doesn't surprise me at all. [LAUGHTER]

J.B. MILLIKEN: But you won't be so that will be a big disappointment. [LAUGHTER]

SENATOR ENGEL: But I won't be. But the thing is you mentioned about this [INAUDIBLE] come back because of the cost of implementing, I mean cost of running the program. Well, evidently, you have a cost of running your current program I assume.

J.B. MILLIKEN: Yes.

SENATOR ENGEL: So is this going to be significant cost to run the new program or is it going to be more efficient? Or I mean that's a question I've got.

J.B. MILLIKEN: My estimate at this point, and it's pretty rough, short of having these RFPs, but there is an increased maintenance cost. And for at least for a year we'll be maintaining two

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systems at one time. So we will have a drop off at 2011 when one goes dark and there's only one system live at that point. So there will be some drop off, but there will be an increase before that. I think the estimates are between \$2 million and \$3 million a year of the ongoing costs that are necessary to maintain and support the system.

SENATOR ENGEL: Thank you.

SENATOR HEIDEMANN: Senator Fulton.

SENATOR FULTON: Thank you both for being here. Two questions: Number one, these have to do with vendors. Do the vendors, and I understand that's a limited number of vendors, do they understand their point of contact and the protocol by which this will move forward? And then secondly, do we have access to vendor performance and pricing with other states? If so, has that been gleaned?

J.B. MILLIKEN: OK. I'll try both of those because I've probably seen the RFP more recently than Stan has. But in the first, yes, this will be handled like all procurement matters for, I assume for the state, but it is certainly the way the university's is done. There's a procurement officer, their instructions to the vendors. There's a protocol to be followed that questions or amplifications or any contact to go through that purchasing officer, then they're made available to all and response are made in that way. And there's language in the RFP directing them that that's their only source of contact with regard to this. That's number one. Number two, yes. The answer is yes. We do have information available. I happened to be involved in the

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implementation of 14 campuses at the University of North Carolina with a new student information system before I left. Our CIO at the university has been involved in student information implementation before and has been in contact with systems and universities around the country. Our neighbors in Colorado and Missouri have just-- are in the process of new system implementation so we do have access to that information or taken advantage of it.

STAN CARPENTER: And, Senator, just so you know, when we did our RFPs and got that information, we had the same exact kind of structure in terms of contact and protocols in place. And we were in the process of making those contacts with other state systems and what they had done with those vendors that we were still interested in. So it's the same kind of process we had before as well.

J.B. MILLIKEN: Let me just add one footnote. Also the consultant I mentioned we hired has worked with many other universities recently in development of RFPs, the selection, and the implementation. So they have the advantage of being on the inside of those processes at those other universities as well.

SENATOR HEIDEMANN: Senator Synowiecki.

SENATOR SYNOWIECKI: Along the lines of Pat's question, guys, oftentimes in the private sector when a substantial investment like this in information technology is done, there's an internal investment somewhere down the line. But we're not-- explain to me and talk to me

about higher education, how we can make this substantial of an investment in information

technology and no long-term return on that in terms of enhanced efficiencies.

J.B. MILLIKEN: Well, I'll start on that. You won't see a cost reduction from this. You will see enormous change in the capabilities of the student information system from what we have in place now, which is a-- well, I'm going to take a step back. Hard to compare the costs here. Our system is cobbled together over 20-some years with different components added on and millions of lines of code written on different campuses. So while this one you're seeing as an investment and with a dollar sign on at one time, it will replace a system that is, while has common elements, has all kinds of additional homegrown pieces that take human time and talent and work to first build and then support, but also additional packages for recruiting and alumni service and other things to get piled on top. So it's very hard to compare those. Maybe if you could pull those apart and compare it, you'd find that this is cost effective. But now going back to the point I was making before, we're going to be able to serve our students far better through this system. I do think there will be long-term efficiencies. There will be long-term decision making that's made possible because of this that we don't have available at this point.

STAN CARPENTER: Let me just add to that, Senator, that one of the reasons that we wanted to move to an ERP initially was to find an integrated system so that our financial system and our student information system worked together. What we are finding, for example, in the financial system was that people were having to enter data two and three times to make the interface a crossover to NIS. We don't expect that will happen now. So there will be some return on our investment that people will be more efficient in performing their duties and their jobs.

Additionally, what we expect is that we will be, as President Milliken said, better able to serve our students and give them more information and better information, more reliable data in the future than we have now. The 27-year-old system that we have in place just doesn't seem to be able to function enough on its own to give that kind of information, provide the information across the system and across the financial system at all in a way that makes any sense. So it's expensive but it will be-- that's OK-- it's expensive but I think it will be worth it in the long run. And you might not be able to discern, if you will, the return on investment directly like a business might. But I'm convinced there will be a better return because our students will be better served and our employees will be much more efficient in the long run.

J.B. MILLIKEN: Just one additional: We're estimating about \$2.5 million in savings by partnering together right now as opposed to going separately. That's one. Two is with regard to the making available our SAP system on financial and administrative systems, we're using about somewhat less than \$1 million worth of staff time over the year that our university employees now to do othe-- help with the implementation for the state colleges. So that's an additional savings added on top of the other because we're going together. So I think there are some, you know, there are some initial savings. I think long term what is going to be best about this partnership is that it's going to save funds for us over the long term when we implement any kinds of upgrades across the system for seven institutions as opposed to four and three or individual ones.

SENATOR SYNOWIECKI: I do have a follow-up question, too, on the timeline. Now the RFP, as I understand it, will be released today. And when are the responses due on the RFP?

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J.B. MILLIKEN: March.

SENATOR SYNOWIECKI: OK.

J.B. MILLIKEN: Mid March.

STAN CARPENTER: Mid March.

SENATOR SYNOWIECKI: Mid March?

J.B. MILLIKEN: My birthday in March, yeah.

STAN CARPENTER: The Ides of March?

J.B. MILLIKEN: Day after.

SENATOR SYNOWIECKI: We won't-- the thought of full funding, I don't even know if we'll have the capability or ability to do that after the actual amounts are ascertained.

J.B. MILLIKEN: Yeah--

SENATOR SYNOWIECKI: This session yet.

J.B. MILLIKEN: We will probably-- the schedule that-- the RFPs come back; then there's a review to first determine whether they're qualified bidders, whether they meet the necessary qualifications. Then there's-- and analyzing the responses to this, which are done on a computer-generated [INAUDIBLE] is very complex time consuming. We don't-- it's our expectation that our boards will approve this in early June. So we don't think we'll have responses, qualifications determined and final agreement negotiated with a successful bidder until either late May or early June.

SENATOR SYNOWIECKI: So we won't have, during this legislative session we will not have a-- well, we've got an educated guess of what it's going to come in at. We won't know till well into the summer.

STAN CARPENTER: That's right. I think from both our perspectives our numbers are fairly solid because we're working from some bids in the past that we were able to then extrapolate as we worked with the university in terms of saving money from the 8.9 down to the 6.1. So we're fairly confident, as confident as anybody can be, that that's a good number. And I think President Milliken is fairly confident, and I won't speak for them, in their \$16 million in their initial request. But you're right, we won't. We won't have this contract negotiated until sometime, probably long after you all have gone home.

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J.B. MILLIKEN: I have yet to meet anyone, Senator, in this business who has told me I'm on the high side of this estimate. In fact, I get quite a bit of input from within the institution about where I am, and it's not the high side.

SENATOR SYNOWIECKI: That's what John said.

J.B. MILLIKEN: Yeah.

SENATOR HEIDEMANN: Senator Wightman, did you have a question?

SENATOR WIGHTMAN: President Milliken and Chancellor Carpenter, I do compliment you for working together on this partnership in an attempt to save the state money. I assume, to follow up on John's question, if there's going to be some savings from efficiency down the road, some of that might be eliminating the necessity for quite as much personnel as you may have running the student information system. I don't know that. Can you give us an idea, both of you, on how many people you currently employ that would operate the systems or would you have any?

J.B. MILLIKEN: Well, no, we can't.

SENATOR HEIDEMANN: Are you counting the house, J.B. or?

J.B. MILLIKEN: I'm just trying to see how many people are here. It's a lot more than this room.

_____ : It depends on if you count just IT or you count the people in the registrations office, admissions office. I'm not sure exactly where you want to pin that number. There's literally hundreds of people involved in [INAUDIBLE] system.

SENATOR WIGHTMAN: I guess my follow-up question would be do you think down the road there's a possibility of maybe not replacing people, not a lot but some, as they retire that would create less cost in the operation of the systems.

J.B. MILLIKEN: I think that the human, the HR savings here, Senator, is going to come from the pressure that we have because of the amount of funds that we have to do the training and the implementation in a limited number of sites to have a limited number of people involved in that as opposed to replicating it at all seven sites. There may be some savings, as you suggest, in personnel costs down the road. But part of what has happened over the years is the necessity of additional accountability measures, additional federal regulations, additional kinds of mandates on the university and, frankly, providing additional services for students. So I would not-- I'm not going to go on record today as committing that I think there will be staff reductions because of this. I think I have to wait and see.

STAN CARPENTER: What he said.

SENATOR WIGHTMAN: OK. Well, I'm assuming that delivery of information may be the efficiency more than cost of personnel, but.

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J.B. MILLIKEN: One of the most important things that I see from this from the chair I sit in and I suspect what you will see from the chair you sit in is the enhanced capability of providing data at a system level to be used in decision making. Right now too much of our data collection and analysis consists of four phone calls, say could you please tell me this. One of the goals which is really the change in technology and the change in approach by us doing this as a system is that we're going to have much better information, I believe, for you and for us to be making decisions going forward.

STAN CARPENTER: And I would agree with that, Senator. One of the things that we've talked about is the idea of a single database where we can, from the system office at the policy level, get all the information that we need around the system, obviously building firewalls so one institution can't get into another institution's information. But as President Milliken points out, oftentimes if we need information we get on the phone and say, can you get this for us and two days later it gets back to us. So it will be an efficiency there. And I think with the single database system that will make it much more efficient in terms of our ability to do our job, both from a central location and from the institutions as well.

SENATOR WIGHTMAN: One follow-up question with regard to the method of funding, whether we do it all in one year or in two years. Can you tell me how these contracts are normally handled and the payout on the contract? Is it a stage payment that work is completed or would it all be up-front or what would be typical?

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J.B. MILLIKEN: Well, there are initial payments that would be up-front for the purchase of software and the purchase of any new hardware that's necessary and proposed and for a significant part of the implementation contract. I haven't seen that aspect of the RFP which has now been done, which lays out a request for their payment schedule. And I'm not sure what kind of parameters we put on that, Senator. But there are significant costs related to this that would be paid initially.

SENATOR WIGHTMAN: Thank you.

SENATOR HEIDEMANN: Senator Kruse.

SENATOR KRUSE: Just as a matter of curiosity, did I hear you say you've got parts of this program that date back 27 years?

STAN CARPENTER: Our SIS system went in 20 years, Senator, about 1987 was when we bought it and implemented it so it's 20-some years old at this point.

SENATOR KRUSE: In 1980 I understood computers and most of the software, which shows it was really rubber-ducky. [LAUGHTER] I-- that's a jaw dropper. Thanks.

STAN CARPENTER: We've gotten our money's worth out of it.

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SENATOR KRUSE: Yes, you have. But there have just been so many revolutions since then that, wow.

SENATOR HEIDEMANN: That's actually what I was going to end this on because I don't see any other questions. I heard Stan talk about 27 years and J.B. talked about in the early 1980s. How confident are you that when we fund this system you won't be back until 193-- 2033 for the next system?

SENATOR KRUSE: That's the way to go. That's the question I like.

STAN CARPENTER: Well, I guarantee I won't be back for that. Are you going to be there with me, Senator Engel?

J.B. MILLIKEN: Our estimates are that this system that we are putting in place would last for 10 to 15 years. That's our goal. Now we talk about systems that are put in the '80s or beyond in our case, the major element of our system is from the '90s. But there have also been millions of lines of code written since then building the functionality as it exists today. So it's hard to compare. You know, it isn't like comparing this shrink-wrap product with that one. There are-- those systems have changed dramatically over time by home-grown legacy student information systems that have evolved to implement what's been needed to implement-- to meet regulations and to serve the students.

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SENATOR HEIDEMANN: Well, hopefully good luck on the process and I'm sure we'll hear a little bit more about this. At this time I do need to ask as this is a public hearing, is there anybody else that would like to testify on the joint public hearing and make a comment on the SIS system? Seeing none, we're going to close the joint hearing on Agency 50 and 51. We are going to open up the public hearing on Agency 51, the University of Nebraska.

J.B. MILLIKEN: (Exhibit 4) Thank you, Mr. Chairman. Members of the committee, I'm J.B. Milliken, president of the University of Nebraska. And I'm going to invite somebody to join me in a minute if I can, with the Chair's indulgence. I appreciate the opportunity to provide information on several items today for the committee's part of the agency hearing. The first is a deficit request in the amount of \$1.3 million to continue the EPA required cleanup of the Agricultural Research and Development Center at Mead, Nebraska. The second is a request to approve the issuance of revenue bonds to finance construction and renovation of research facilities at the University of Nebraska-Lincoln. The third is a request to approve spending funds from the UNL Housing Surplus Fund for wireless computing. And finally, I will ask Dean Weldon Sleight from the Nebraska College of Technical Agriculture to come forward and discuss a legislative interim study on NCTA. You know, I was hoping that Senator Synowiecki would be here. I wanted to follow up during this part of the-- my presentation today on dual enrollment because I want-- I understand what Marshall was saying earlier, but I wanted to address what I think may be a misimpression about the extent of dual enrollment in the metropolitan area. UNO has been offering dual enrollment courses in Omaha for years through Metropolitan Omaha Educational Consortium has been really the leader for the University of Nebraska in doing it. And that's where most of our enrollments are in dual enrollment in the university. This was going on before

I came back to the university four years ago and is quite strong. We'll have to find out why they're not tapping the funds that are available for it, but they certainly are engaged in dual enrollment courses throughout the Omaha schools. I want to start with an update on our progress at Mead, something that you have heard about before. As you know, this is one of our major agricultural research and education facilities. It's about 10,000 acres of agricultural land, and we have about 90 faculty and 150 students working there. We acquired the property in the 1960s. In 1990 it was declared by the federal government by EPA as a superfund cleanup site. That has nothing to do with what I'm here to talk to you about today or what we have been working on at the University of Nebraska. The University of Nebraska, specifically the University of Nebraska-Lincoln and the Medical Center, deposited low-level waste on that property in ways that were in compliance with all legal and regulatory requirements at the time. And the space in which these containers and the vials in them, we have a large piece of land, 10,000 acres, you would measure this in feet. The amount of space in which this low-level waste was stored in the ground would fit well inside most people's basements. And so this is a considerably smaller project, but nonetheless, it's costly. We estimate at \$7 million and that's what is in the budget. You provided \$4.2 million from the General Fund and \$2.8 was provided from the Environmental Trust Fund. We're grateful for the recognition of this need, both from this body and from the Environmental Trust Fund. In 2007 in September we began to remove the waste buried in four areas of ARDC under the direction of the Environmental Protection Agency. The process includes evacuating waste from these trenches and segregating them into containers, testing them, packaging them in sealed containers, and shipping them to permitted waste disposal facilities. The removal action is anticipated to be completed by mid-March with reports on it to be completed by mid-April of 2008. The costs have exceeded the original \$7 million in our

estimate, due to largely additional requirements imposed by EPA during the cleanup as well as contractor costs that exceeded the original estimates. The process has taken longer than expected, in part due to weather delays, the wettest October on record, but again, primarily because of the EPA requirements. Today we estimate that the total cost will be \$8.3 million, 1.3 higher than the earlier estimates. And I'm going to stop there and invite you to read the rest of my testimony on the EPA cleanup and move on to the next item on the list. And, Mr. Chairman, I'll stop for questions or go through each of these three and then entertain questions, whatever you'd prefer.

SENATOR HEIDEMANN: You're going to go into the bonding then is what?

J.B. MILLIKEN: Yes.

SENATOR HEIDEMANN: Maybe we ought to split this up a little bit. You do have some major issues in there.

J.B. MILLIKEN: Up to you, thank you.

SENATOR HEIDEMANN: And if anybody would have any questions about the costs at Mead. Seeing none.

J.B. MILLIKEN: OK. Thank you. I'll go on to the research bonding project. And I think it might be useful, I'd ask Vice Chancellor Paul to join me. And I'm going to, with the Chair's permission,

ask him to address the specific projects included in a moment. I'm going to talk a little bit about the overall request. These involve the plans at the university for \$42.5 million in capital projects for research to be financed in part by \$38 million in bonds. Bonds would be paid for over a 20-year period or less with the debt service financed by federal facilities administrative funds, also known as indirect costs, and private funds. To provide just a small amount of context or background for this because we're introducing a concept here that we don't discuss or isn't a part of our request typically. Following World War II, the federal government began funding basic research at universities in earnest. This was a conscious decision by the federal government to support research across the country as opposed to building a series of federal labs as an alternative. This has been a great success. It's the envy of the world in terms of how basic research has been funded and how successful our universities have been. Now at that time, federal policymakers understood that the costs involved in doing basic research at universities went well beyond the direct costs that go to an individual research project. And they established a system providing universities with a percentage of the direct costs. It's known as indirect cost reimbursement or officially F&A or facilities and administrative costs. Each university negotiates its F&A rate with a lead federal agency. These funds are used at universities across the country to reinvest in people and facilities to grow the research infrastructure. Without these funds, the University of Nebraska and other research universities would be unable to invest significant funds to strategically grow research. I know you are aware of the remarkable increase and success in research at the university. UNL and the Medical Center have each doubled their volume of research in the last six years. As a system, we are now ranked 27th in the nation among public universities in the level of R&D investment that we make-- \$330 million. We're proud of the success and the rankings, but we're even more proud

of the impact that this has on the people in Nebraska. Research in transportation, water, energy, early childhood development, cancer, autism, and many others hold the promise of a better quality of life for people in the state of Nebraska. Also there's a clear economic development result here. The National Bureau of Labor Statistics estimates that for every \$1 million of R&D activity at a research university, over 30 jobs are created. That's 10,000 jobs related to the investment according to the BLS estimates. There are two things within our control that will allow us to continue the success that we've had with research. The third is federal funding and that's not within our control. But the two that are within our control are the hiring of people, of talent, and of providing facilities for them to do their work. We've hired some of the best research faculty in the country, including Prem Paul, who last month I'm pleased to say added the title of economic development to his portfolio, which I think recognizes the connection between research and economic development. In addition to people, the other variable is facilities. And our facilities have not kept pace with our funding, particularly at UNL where we're out of research space. Aside from LB605, the last state-funded, and this was mainly federally funded, but the last new research facility at UNL that was funded by the state was the Beadle Center which was approved in 1992. Our intention is to finance the projects that Vice Chancellor Paul will tell you about in part by issuing these bonds with debt financed through F&A funds. We also have a \$10 million gift committed for these three facilities that is pledged to come in over the next ten years, which will reduce the amount of the debt during that period. Now the use of facilities and administrative funds at Nebraska for construction is not new. We are financing a significant part of the Morrison Research Center on East Campus with facilities and administrative costs. This would be the first time that we've used F&A funds for debt service on research facilities, but this has been done at other research universities across the country. We

believe, based on the history of these funds and our projections and our significant coverage of the debt two and three times over the course of this 20-year period, that this is reliable and it's entirely consistent with the purpose of F&A. In addition, as I mentioned, we believe that we have the ability to attract private funds, already \$10 million for this project, and we are going to continue to pursue private funds which would drive down the costs associated with this debt. At this time, I'd like to invite my colleague, Prem Paul, who is in many ways bears significant responsibility for the growth in research support and the strategy behind it at the University of Nebraska-Lincoln to visit with you about these three projects.

PREM PAUL: (Exhibit 5) Thank you, President Milliken. Mr. Chairman Heidemann and members of the committee, I am Prem Paul, P-r-e-m P-a-u-l. As President indicated, I am Vice Chancellor for Research and Economic Development at the University of Nebraska-Lincoln. I like that new title because not only that it really reflects the importance of research and economic development but the short for my title is VC RED and that fits in with the Husker colors. I am pleased to be here today testifying about our three proposed research facilities. The first involves renovation of Whittier building, a Lincoln landmark. The project would cost an estimated \$23.75 million and be funded from several sources, including university and private funds and \$14.5 million in bond financing. The project would renovate about 54,000 square feet of the main building into research space for the Nebraska Transportation Center, which is headquartered at the University of Nebraska-Lincoln. This center has recently received several competitively funded multimillion dollar grants for projects that make our roads, highways, and bridges safer. As a matter of fact, we just announced a delayed estimate yesterday. Having an up-to-date facility for our transportation research is critical in obtaining these multimillion dollar

grants. Whittier would also house the Nebraska Center for Energy Sciences Research, a collaboration with the Nebraska Public Power District. This center conducts research on renewable and efficient energy with a special eye toward opportunities for Nebraska. Energy, as you know, is one of Nebraska's rapidly growing industries and is an area of extreme importance nationally. The second project would construct a nanoscience facility and finish lab space in the new physical sciences building. I want to thank you for your support of the deferred maintenance funding that will make the new physical sciences building possible. The nanoscience facility project would cost \$13.5 million funded by bond financing. It would construct about 22,500 square feet of nanoscience research and finish just over 9,000 square feet of lab space in the physical sciences building. Nebraska has great talent and strength in nanotechnology and currently has a prestigious multimillion dollar Materials Research Science and Engineering Center funded by the National Science Foundation. Nanotechnology, this is a science about really teeny, teeny particles, billionth of a meter, funded-- and this is a federal government is investing billions of dollars. And this is really the future in manufacturing. So nanotechnology is expected to be a multibillion dollar industry. The new nanoscience facility will help Nebraska continue to be a successful player in this important emerging industry. The final project would renovate the animal research facility built in 1976. This project would cost about \$5 million and funded by bond financing. It will renovate about 7,700 square feet of the building, 48,000 total square feet. The project will renovate the entire west wing and a portion of the north wing-- I'm talking about the west wing in Lincoln, not in D.C., by the way-- to meet current building and safety code and federal requirements for housing laboratory animals. In fact, last summer when we were asking permission from federal government to-- assurance, federal assurance to conduct animal research, they didn't give this automatically. They actually were

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quite critical about the condition of our facilities. Without this renovation, we run a very serious risk of being closed down. This renovation would be just the first step in solving this problem. Honorable Senators, I urge you to support this proposal for these new and renovated buildings. We desperately need these facilities. Without them, I'm afraid we could lose these important research centers that we've worked-- our faculty have worked very hard to win those. And we would also be unable to compete for major research funding in the future. And research, of course, is a cornerstone for economic prosperity in Nebraska. Thank you.

SENATOR HEIDEMANN: What would the total bond be? Do you know, any kind of an estimate what the total bond cost would be?

J.B. MILLIKEN: \$38 million.

SENATOR HEIDEMANN: [INAUDIBLE] financing.

J.B. MILLIKEN: Does that not include the financing? Yeah, it does.

SENATOR HEIDEMANN: Great. The financing is--

J.B. MILLIKEN: There's other funds that are driving the \$42.5 million total project cost down below \$38 million, I mean netting out less than \$38 million. The \$38 million is the total bonded amount.

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SENATOR HEIDEMANN: How soon do you anticipate wanting to start these projects? How urgent is it that we act on this-- how fast do we need to act on this?

PREM PAUL: Senator, we actually been leaving money on the table and I personally don't like to leave money in D.C. And so this is extremely urgent. We have funded projects that if we don't provide space for them then we are in danger of losing those projects. So I think that the [INAUDIBLE] the video project, the Transportation Center, we had a very, very competitive regional transportation center which I'm glad that we won, took it away from my former university out east, just a little bit east of us, and that's a very competitive. I'm very proud of that. And the work is, the money is there, and we got to conduct research and build new [INAUDIBLE] facilities so we need this right away. And the same thing with the nanoscience facility. We have top-notch research going on at your university in your state, but we could further capitalize on that with the nanoscience. And the lab animal facility, we have new faculty who will be joining in veterinary medicine program and they cannot bring their research program until we finish this renovation. So we have a really urgent need for these projects.

SENATOR HEIDEMANN: Your priority would be what out of the three? Could you pick a priority?

PREM PAUL: I think that clearly the Whittier project is the first one and that is also the gateway to the entire innovation agenda, Innovation Park.

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SENATOR HEIDEMANN: I will have to say that this type of funding makes probably some people nervous. It's something that we probably aren't used to anyway. And a question I would have, will the bonding company accept this F&A or do they make you pledge something else to back these bonds up?

J.B. MILLIKEN: Senator, let me ask-- let me respond briefly and then I might ask Scott Keene, who is here from Ameritas and is our advisor on this matter, if he can respond directly. I understand that it's new in Nebraska to use F&A to support debt. It is used in other places. I can't speak "authoratively" on how many, but I do know I worked on a project for the University of North Carolina at Chapel Hill where they funded a medical research building with F&A to service the debt. We have used it on a pay-as-you-go basis with regard to the Morrison Life Sciences facility on East Campus. And it's our belief that it will be a reliable source of funding. But my expectation is that we will have to back this with additional resources. Scott, is that right?

SCOTT KEENE: That's correct.

SENATOR HEIDEMANN: If you're going to-- yeah, would you please come up and identify yourself for the transcribers that record this.

SCOTT KEENE: My name is Scott Keene, S-c-o-t-t K-e-e-n-e, and I'm with American Investment Corp. here in Lincoln. The evidence of the number of financings that have been done and secured by F&A revenues is fairly anecdotal. The rating agencies don't track these

financings as F&A bond issues. They may have an F&A component. They may be structured the same way that the university is contemplating this financing where primarily F&A revenues will be used to repay the bonds, but then there is some other revenue source that is backstopping the issue as well. That's the more common structure. The University of Kansas did financing in 2006 that received an A-1 rating that was in the amount of about \$17 million for a project that they were contemplating that was secured solely by F&A revenues that had coverage plus some assets of their research fund, but had coverage on the order of 1.3 to 1.5 times. The university is very conservatively estimating their debt service coverage on this financing in excess of 3 times. So we feel that this is a very, just on its own, is a fairly strong credit and could be marketed but probably at very disadvantageous interest rates, at higher interest rates than if we were to structure it with some other asset or some other revenue stream behind it, allowing us to achieve the university's general credit rating of AA-2, which is a very, very strong credit rating. Did that answer your question?

SENATOR HEIDEMANN: That did answer it. You put some insight in for me anyway. And another question, maybe J.B can answer this then, what if things really slow down as far as the research money and this F&A money doesn't come in as anticipated? It sounds like you're being very conservative, but there is maybe a fear out there that that could happen. It might be a very slight percentage that that would ever happen. But what if it happens? What would happen then, where would you get the money to pay off the bonds?

J.B. MILLIKEN: Well, Senator, I guess the first response would be that Scott said an excess of 2 times coverage or 3 times coverage. As I recall, it's in excess of 2 and then builds to 3 when

the \$10 million gift comes in. But first of all, I think we're being very conservative, even if you show a decline, precipitous decline, in F&A, we've still got the debt covered under the model that we've proposed. So I don't think there is a prospect. F&A is tied to basic research funding from the lead agencies that we receive funding for federally: NIH, NSF, Energy, Agriculture. So we feel confident that-- first of all, I feel confident and my colleague, Prem Paul, is going to see that the numbers continue to progress the way they have in Lincoln in the past. I believe that the only rate-limiting factors on this are the federal budget, as you've indicated, the talent that we're able to get here that can compete, and the facilities. And right now, I think the biggest restraint on us increasing our amount of F&A is the fact that we have facilities that are inadequate. This is a continued investment in our ability to generate more research funds for the state of Nebraska and we have to make an investment in these research facilities one way or another. We believe that this is an appropriate use of F&A to plow it back into investing in the ability to generate more research activity.

PREM PAUL: Let me add just-- the comment that I would add is that, you know, the-- we've had tremendous growth in the last six years. And frankly, the potential is huge. I'll give you one example of where, two examples of where we build facilities and we're out of space. I think Beadle the case has been made very strong and track record that we now don't have enough space to put in all the personnel in the research, in the funded research center in Beadle. The second I would say is that, you know, if you build it, they'll come. Here's another example of that, Senator, is that we built a cutting-edge laser facility in physics and this is the most powerful laser. You probably have heard about that. There's been a lot of stories been written about it. Now we have an internationally leading laser expertise. And it's just like football that you really

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in order to recruit faculty you need to have facilities in order to recruit and retain faculty, you have to have cutting-edge facilities. And it's really a race amongst the universities. And if we don't have appropriate facilities, it's not just the building, but it's the type of space in the building, cutting-edge instrumentation, we're not going to be able to compete. So facilities are really, as President indicated, that's our major, major challenge.

SENATOR HEIDEMANN: And the \$10 million would be used to pay off the bonds so that could take it down to \$28 million.

J.B. MILLIKEN; And as I mentioned, we're not finished there, Senator. I am applying significant encouragement to the Chancellor and his colleagues and the foundation to continue trying to raise private money for this set of projects to drive that down. We do have \$10 million committed, but I think there's potential for more, particularly with the level of excitement about the nanotechnology facility.

SENATOR HEIDEMANN: I know a lot of federal money has been pouring into research and it seems to grow and grow and grow. Sometimes I look at our federal government and they make me a little nervous when it comes to how they finance things and our federal debt. And sometimes I think we're going to eventually have to pay for this. And it might not be in the 10 years or might not be in the 20 years that you're going to bond for this. But I have fears that the research money could slow down. And it has been that if you build it, they will come lately, but I really believe that that might flatten out. I don't know. That's my fear and I don't want to see the university get in any burden down the road because of this. I have one more question and then

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I'll open it up. And I'm sorry to the rest of the committee that I've been kind of hogging the questions here. You talked about, Scott had talked about that this will be a more expensive way to finance this. How much more expensive?

SCOTT KEENE: I'd hate to even head down that path. I think we'd probably be in the multimillions of dollars for \$3 million financing to have no additional backstop. And that's again the point that I'm making. If we were to proceed as the university has discussed it by using F&A funds to primarily pay the debt service but rely on the university's other cash funds to backstop the financing, that will allow us to achieve the best credit rating, the AA-2 credit rating and obtain the lowest possible interest cost. Without that kind of backstop, I think it would be problematic to come up with a number, but I think we'd be in excess of \$1 million over the life of the financing to not have that backstop. So it's well worth it.

SENATOR HEIDEMANN: So you're going to put the backstop up and then it will be more reasonable financing. I understand that.

SCOTT KEENE: That's correct. I'm sorry if I left the impression that that was not being-- that was not the plan.

SENATOR HEIDEMANN: OK. Senator Wightman.

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SENATOR WIGHTMAN: There obviously is a \$4.5 million difference between the total cost of the capital project and the \$38 million in bonds. I assume that is being covered without a general.

J.B. MILLIKEN: There is additional funding for this total project from other sources that drives the cost from 42.5 to below 38 and then the 38 is the total cost remaining of the projects plus the financing and cost estimates.

SCOTT KEENE: The actual numbers that we're looking at, the amount to be funded outside of the other funds that J.B. has mentioned, the amount to be financed from the bonds is approximately \$33 million. Our current estimates are actually a little lower than the number J.B. gave you. We're currently estimating approximately \$36.2 million of bonds being financed, of being issued. And the difference lies primarily in the funding of debt service reserve funds and the cost of issuance.

SENATOR WIGHTMAN: In addition to F&A financing that will be federal government funded primarily I guess, if not entirely, will there also be revenue from-- to cover any of these bonds in any private enterprise or whoever may make use of the facilities? Will there be any partnerships between the university and private corporations in any of this research and development?

SCOTT KEENE: There could be. There are limitations on the university's ability to do that and maintain the tax exemption on the bonds. So that's a very careful discussion that's taking place

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right now. It's contemplated that some amount of the financing for the Whittier project would be done on a taxable basis for those very reasons.

SENATOR WIGHTMAN: Thank you.

SENATOR HEIDEMANN: Senator Harms.

SENATOR HARMS: Yeah, I have a couple of questions I'd like to talk to you a little bit about. I'd like to start with nano, your nanoscience facility.

J.B. MILLIKEN: Prem, why don't you come up?

SENATOR HARMS: You know, I think that the nanoscience science probably has the greatest potential at our university. I mean it's revolutionizing industry. It's revolutionizing medicine. It's revolutionizing healthcare. It's the key to the future. Unless we invest in nanotechnology but in the right areas of nanotechnology, the university is going to lose badly. And we need that in this state. The question I have for you is what are-- first of all, is all of your nanotechnology research going to be done in this facility? Or do you have some at the University of Nebraska Medical Center and other places and is it being coordinated? And then I'll go to my second part of my question.

PREM PAUL: We actually have nanotechnology-related research undergoing on both Lincoln and Omaha. And the work is going on in multiple colleges, including faculty at IANR are working

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on it, chemistry, physics, engineering, multiple departments of that. And what is really this particular facility is, it will be a core facility. In it will be shared instrumentation that faculty from all over the campus, both here and other campuses, can come and use the and so to speak spend some time for the particular experiment. So it will be a large, expensive, shared equipment in a very clean environment like where the chips are made. That's the sort of-- it's a very expensive space to build. And so but the-- and it also help us faster, more interdisciplinary collaboration.

SENATOR HARMS: Now with the research that's being done in nanotechnology throughout your system, do you coordinate that? Do you-- are you in control of that and how is that being dealt with so that you can--

PREM PAUL: This building is-- our office will be in charge of that to make sure that not a single unit or not a single faculty member is in charge, but it is available to us at the university. And even in the private sector, if they have some needs so they will be able to use it, yes.

SENATOR HARMS: Well, I guess the question I'm really driving at is will you be in control of all of the nano research that's being done throughout all of your colleges because--

PREM PAUL: I hate to use the word "control," but I like to use as a facilitate and manage so it's the same thing, yes.

SENATOR HARMS: Whatever is right is OK with me but--

PREM PAUL: Right, yeah.

SENATOR HARMS: --are you going to do that?

PREM PAUL: Yes, sir.

J.B. MILLIKEN: I want to make sure, Senator, that you understand that Prem is talking about the University of Nebraska-Lincoln. And there's additional research going on at the Medical Center which he will not control, may help to facilitate if there's some opportunities.

SENATOR HARMS: Well, that was part of my question was the simple fact is who is actually, you know, a part of this whole thing and making sure that, you know, if you're going to put these kind of facilities together, you know, who's in charge of this and are we moving the university in the right direction because nanotechnology is going to be phenomenal in the future. That's all I'm asking. Are you going to have a handle on it because you can go a lot of different directions and not know where you're going.

PREM PAUL: It will report to my office and we're going to make sure that we manage it well and it's available to all who need it.

J.B. MILLIKEN: We are making investments in shared core facilities, Senator, across the university in a number of areas where we only need to invest in large sophisticated equipment

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one time but make it available primarily for people at UNL and the Medical Center. There's some very important work going on in nanomedicine at the Medical Center now. Prem and his colleague, Tom Rosenquist, at the Medical Center have made funding available over the last few years for joint projects. One of them that started that way, very exciting between an engineer at UNL, Shane Farritor, and a surgeon, Dmitry Oleynikov, at the Medical Center. So we have continued without a structure that actually controls it to foster that kind of joint research and invest in single core facilities.

SENATOR HARMS: I have [INAUDIBLE] questions, but I'll just let those go by and talk to you sometime privately.

J.B. MILLIKEN: OK.

SENATOR HARMS: OK. Thank you.

SENATOR HEIDEMANN: Any other questions? Seeing none, I've got a feeling this is very important to you, number one. I could tell that. We're going to have to probably get to a comfort level for us to move forward, but we'll see what we can do on that.

J.B. MILLIKEN: Thank you, Senator. One final item on this agency hearing is very brief. It's the request to approve the expenditure of surplus facilities funds at the University of Nebraska-Lincoln to support a housing wireless project that will bring wireless service to residence halls, including student rooms and common areas. It will allow us to provide a service

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to students that is becoming the norm across the country at universities maintain a high occupancy rates in our residence halls. The estimated cost is about \$950,000. The source of the funds is the Facilities Revenue Bond Surplus Funds for that campus. The fund balance is just shy of \$6 million and is used to assist with repairs and improvements in our residence halls.

SENATOR HEIDEMANN: Thank you very much. Are there any questions before we move on of J.B. and the university system? Seeing none.

J.B. MILLIKEN: Thank you, Senator, Mr. Chairman, members of the committee. At this point, with the Chair's indulgence, I would like to invite Dean Weldon Sleight from the Nebraska College of Technical Agriculture to come forward and address the interim study that was conducted at Curtis. Thank you.

SENATOR HEIDEMANN: Thanks, J. B.

WELDON SLEIGHT: (Exhibit 6) Thank you, President Milliken. Senator Heidemann and committee, my name is Weldon Sleight, W-e-l-d-o-n S-l-e-i-g-h-t. I am the Dean of the College of-- Nebraska College of Technical Agriculture at Curtis. I appreciate the interim study that took place last August, appreciate, Senator Heidemann, you being there and Kathy and others, other agencies that were there. I have a brief handout that I'd like each of you to have. The Nebraska College of Technical Agriculture is certainly a wonderful place. It's a passion of mine. We are engaged in developing young people to return to rural INebraska. Rural Nebraska is dying. I've spent a lot of time speaking about the plight of rural Nebraska. We think that we're receiving

rural Nebraska students. We need to prepare them to go home, not as hired hands, but as partners and owners. We are doing that through an entrepreneurship initiative this past year where all of our faculty have been trained. It's being taught entirely across our curriculum. We also developed an entrepreneurship center, one that's much different from any other entrepreneurship center in that it is focused entirely on building rural communities. Dr. George Garlick is here with us today. He'll be speaking about Frontier Technologies. They are the first private partner that we have. In our rural development activities, we have developed the 100 cow, Beef Cow Ownership Program. We are going to send our students out as owners and partners in that program, the same with a new one coming up in a dairy production program as well as horticulture and agribusiness. We've revised our calendar this past year to make our students more available during the fall and spring cropping seasons. But probably the most important thing that we're doing is we're trying to change the learning/living environment on our campus. I think that the committee saw firsthand that while we have a marvelous educational program, our campus is old. We have three impediments that we need to take care of in order to fulfill our mission. Our goal for five years from now, we want to double the population of students on our campus. The first that I've listed is an activity center. We don't have a place for all of our students to go. We have a gymnasium that was built in 1935, but very old and antiquated. Through a very important, again, public/private partnership with the city of Curtis and George Garlick, an activity center is being built for the university. It's the Curtis Memorial Community Center, but it's available to us. Dr. Garlick said that he wanted all of our intercollegiate activities to be played there and so that's tremendous. We have a brand new interlocal agreement that is allowing us to share resources between the city, the county, and the school district. The education center, that is second on the priority list of the Coordinating Commission this year.

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And that is the one that I want to spend most of our time on. It's been planned now thanks to John Owens and Alan Moeller. The IANR developed a program statement and that will be provided to the Board of Regents in March for approval. It will give us new classroom and laboratory space that is needed to replace the 1935 dairy barn and horticulture classroom facilities that are really outdated. We've done some things to cut the cost considerably in that building. For instance, we need an auditorium that will house our students. We currently don't have an auditorium. We've come up with a unique way to have three classrooms fill the need of the auditorium with moving walls. The last need that we have in order to double our enrollment is a new residence hall. We have tried unsuccessfully for ten years to come up with a way to replace the halls that were built in 1930 and 1940s. We have failed. We just didn't ever-- could never come up with enough donations in order to come up with what we needed for the bonds. However, our good friend, George Garlick, said, I will help. He'll be speaking a bit about that in just a moment. But he has the understanding of how this can be done. He's done it before and we're excited to partner with him again on this major renovation that we need to make the learning and living environment at NCTA better for students. It hurts me when we have outstanding students come to our campus, we start them on the east end of our campus and we end up with the dormitories or residence halls. We do really well selling them until they get there. And they're just-- they're old and we need to come up with some better dormitories. I can take questions. Senator, I've given you some innovative partnerships, but I know we're low on time. I won't spend any time talking about those. But if there are questions, I will take those. Then I'd like to introduce Dr. Garlick if I could.

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SENATOR HEIDEMANN: I want to take the time to thank you. I was very impressed when I went out there with what you're doing. I'm very impressed with your dedication, not only to Curtis but I feel the sense-- your dedication to rural Nebraska. And I appreciate that as somebody that comes from a rural area, somebody that comes from an ag background. And I realize the importance of Curtis. And I probably did not when I started this whole process. I've been on Appropriations now, this is my fourth year, and when we talk about funding Curtis, it never seemed to be quite right. And I decided to do this interim study to try to see what was the best thing for Curtis. And I will tell you I came into the interim study very open-minded to the point of we even need to fund Curtis or we need to walk away from it. And I've come to the conclusion since I visited and looking into it that we need to fund it and we need to fund it properly. I will have to convince some more members of this committee to do likewise and the Legislature, but I think it's something we need to move forward. And I doo thank you for your dedication.

WELDON SLEIGHT: Senator, I wish that I could take this committee on a tour of rural Nebraska. Rural Nebraska is dying. I've got a bunch of statistics I give often in presentations, but we've got to do something or Nebraska will be owned by other than Nebraskans.

SENATOR HEIDEMANN: Thank you. If we can do the education center for you, and I've been through your facilities and I'll inform the rest of the committee, they're literally holding classes in a-- it appeared to be an old barn, will you be able to build this and still hold classes? What's the time frame? Because if I remember right, the educational building will go almost where you're holding classes now. Is that not correct?

WELDON SLEIGHT: I think that we can move it a bit east and keep the dairy barn until it's built. We'll have to take the horse facility out, but that won't-- that's a less costly structure and we think we can do it and maintain our classes as we're now teaching them.

SENATOR HEIDEMANN: OK. Are there any other questions? Seeing none, if you would like to--

WELDON SLEIGHT: Yes. I'd like to introduce my friend and mentor, Dr. George Garlick. He's a scientist, he's a teacher, administrator, a business developer, and most important, he's a farm boy from Frontier County. And if I didn't introduce him as that, I would have missed the point entirely. Dr. Garlick.

SENATOR HEIDEMANN: Welcome.

GEORGE GARLICK: (Exhibits 7-12) Thank you very much. Chairman Heidemann, distinguished members of the committee, I'm George Garlick, G-e-o-r-g-e G-a-r-l-i-c-k. I'm so honored and humbled to be here because I see that this session and this subject is probably the most important that I can envision for the city of Curtis, but more so for rural Nebraska and what it means to the economy. And I say in my businesses, by the way, I'm a resident of Richland, Washington, and I'm president of Garlick Enterprises and I'm also owner and founder of 20 other companies that are currently active in the state of Washington. And I say to my people, it's OK to be passionate about what you do. I'm passionate about this meeting. I'm passionate

about Curtis. And I'm passionate about the University of Nebraska and the College of Technical Agriculture. So I wanted to share with you just three areas of comments. First of all, about what it means to make a commitment. Secondly, what's the credibility that's behind that commitment? Because if you make a commitment and you have credibility, you want to have confidence, confidence in the results that you achieve that they will, in fact, be there. And I say that to me commitment is one of the most important elements to success of any business. You're always going to find things that happen that you didn't want or didn't expect. But people that are committed see it through. And you've got people that are committed in the city of Curtis. They are here in this room in spirit. They had a bus chartered to come down here to be with us; and, unfortunately, I hear that the roads were so bad in Frontier County that they could not make it. So I'm speaking for them and their commitment. But what I want to briefly do is just give you a little bit of background. As Weldon said, I was born and raised on a dryland farm in Frontier County. I still own the farm, developing it. But my father started going blind when I was 12 years old, and we were forced to move off the farm. We went to Curtis in 1949 and my father was given a job as janitor at the UNSA, University of Nebraska School of Agriculture. It was a high school at that time. I graduated there in 1954. Although his job was only \$1 an hour and I worked beside him at 40 cents an hour, our family is dedicated and committed to what the University of Nebraska did, not just in Lincoln and the quality that you have here, but you came right to us in Curtis and Frontier County. And you not only met a need, you virtually saved our existence. When you come off the farm and your father is going blind and you get the job and the education, it has an impact on you. So it is not without passion that I chose to give back to the community. My first thought was to contribute to a community center. I provided more than \$1 million to that through the Nebraska Community Foundation. There's a letter in your booklet

in the back from the Nebraska Community Foundation. But it was then that I met Dr. Weldon Sleight of NCTA. And that commitment of-- to the Curtis Memorial Community Center led to a commitment to bring one of my companies back. And so what we have done is brought back a company and formed it in Curtis, specifically as a relationship to the economic development and the programs that Dr. Sleight has, and I will make comments on that. But as we moved that back, then the dedication to NCTA just grew. And so that is why my passion to be with you today and what it represents and my passion for the university and my encouragement for you fully funding areas that President Milliken and those have done and what they do as an outreach. So just quickly, from a credibility standpoint, I've always looked at education and I respect Senator Harms's comment earlier of the way out of poverty is education. And the way to bring one forward is education. I have always been devoted to education. As I went through the process, I taught at UCLA, I taught at Iowa State, and I've taught at South Dakota School of Mines. And so when I got out, I took a job in eastern Washington solely so I could teach and guide students because they had no one else with a Ph.D. in electrical engineering. I had so much passion for that that in 1967 at the age of 31 they appointed me dean. And it was dean of a university complex that was meeting in wood structures as an annex to a hospital. I first got my first experience in public-private partnership as I personally went to the state government, the federal government, and private industry and raised money to build the first campus. That campus is now Washington State University Tri-Cities, meeting and exceeding all expectations that we had ever had from it. There's a document in the back from the chancellor of Washington State University regarding economic development that we achieved. But that wasn't enough. We needed economic development of our community because we were a sunset community. It's a Hanford project that's cleanup and it's going to end. And we need to have a life after that

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for our kids and our grandkids. So I was cochair of the Tri-Cities Science and Technology Park Association starting in 1989, and I just wanted to tell you the success. It works. And again, Senator Harms made the comment about partnerships. Partnerships are critical. There's an element that the private sector can do that can bring this about and make things happen. And then the positive starts feeding on the positive. And your attitude of negative goes to positive and you certainly come forward to it. We are now listed in the top ten university-related research parks in the United States. At the same time, and we brought in more than 50 companies now since 1989 into the economy of that community, university-related research park. In 2002, I was awarded a distinguished alumni award from the South Dakota School of Mines and Technology. And in the same way that I took over the university there in a negative environment and Senator Heidemann says that there was, you know, concern about NCTA. The concern we had about the other two illustrations I'm going to have is less than what those exist, and yet succeeded in them and totally turned that around. But I was asked to give a speech. It was standing room only. There was no infrastructure of university-related economic development. We pulled it together. There now is an economic development going and the reality is now they're contributing more than \$108 million to the economy of South Dakota. And for every state \$1, there's \$7.57 that goes back to the state. Resulting in this start and the university related, on the private side of my life we've developed the Stevens Center Business Park. I didn't want to include all of these, but I just wanted to tell you that if anyone is interested we have information on it. And this is a leading business park in the state of Washington. We're in the top five of the technology business parks in the state of Washington. We have brought more than \$70 million back to the tax base of that community. Because what I look at is return on investment for education, return on investment for education. And that's what Dr. Sleight and his program have

done. At the university, we started a business links program. He started the EDGE program. It's a parallel. In addition to that, again the public-private partnership I'm currently working on building a technical high school in our area. You know the concern about capital budgets in education. It's a private-public partnership. And we're going into that I will personally be putting in funds, subsidizing the building, building it, and putting the first technical high school in the state of Washington in. They will go automatically into the university. They will have training at the national lab and the teachers in education at Washington State Tri-Cities will have experience that nobody else has of four years of observation of teaching science classes as they go into the workplace. But more importantly, we've developed technology. I am the inventor of ultrasonic holography. It is a means of making real-time images in sound, 140 images per second in sound safe. We are applying it primarily to imaging of lesions of the breast. We have gotten a Frost and Sullivan award, a Wall Street Journal award, an award from the RSNA. But what I have also wanted to do is look back to Nebraska. And so we have brought that technology back to Nebraska in Frontier Technologies, which is the first company in the entrepreneurial park in Curtis with NCTA. These are the kind of passions that we have. And we're even starting and looking into starting an entrepreneurial center even in Curtis with a local attorney there providing attorney services' a local accountant providing accountant; my former classmate at Hastings College who has a large patent law practice in Denver providing patent law. These are the kinds of resources. We've got I believe the best people in the world in the state of Nebraska. I believe that. I've been around the world. And what we don't have is the opportunity of these people sometimes to stay in Nebraska and get the kind of jobs that they otherwise can get in other areas. In addition to that, I started the Gloria Meek Garlick Foundation and we're taking the imaging around the world to underserved nations. I've got a

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cross-relationship with my medical company that in the United States I also can provide those imaging services to the Native American. We're working with the Sioux Nation, we're working with the Umatilla Nation. So confidence, confidence that we can do it because we have done it; confidence with committed people, individuals like Dr. Sleight and what he means to the institution and the people that they have served. And as said, there are three elements of needs or impediments. One was the activity center; two is the residence hall. I have built over 600,000 square feet of facilities. I have personally funded up to \$76 million worth of construction. And I have done certain things with public-private in a way that works. And I am committed to do whatever is needed to allow this passion of Dr. Sleight's and the community to go forward. So it is with that that I thank you for this opportunity. I flew in just for this. Even though a flight was cancelled in Denver, I just reverted to Omaha and couldn't get into Lincoln, went to Omaha. Dr. Sleight picked me up. I'm sorry my people from Curtis is not here, but they're here in spirit. And I'm here in spirit to thank you for your considerations and to recognize that I know of no other institution of all my area, I have no other institution that is better managed, more passionately there than NCTA. And I know of no other institution that is addressing the need of rural America and rural Nebraska for the betterment of this United States of America than NCTA. So I applaud you for your consideration. And I'm asking you to consider joining me to see that these important programs go forward. Thank you.

SENATOR HEIDEMANN: Are there any questions?

SENATOR ENGEL: All I want to do is thank you very, very, very much for coming here today. It was very enlightening. Thank you.

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SENATOR KRUSE: Yes, thank you.

SENATOR HEIDEMANN: Senator Fulton.

SENATOR FULTON: I should say something that-- engineering, right, electrical?

GEORGE GARLICK: That's correct.

SENATOR FULTON: And you do the profession proud so I just want to thank you for that too.

GEORGE GARLICK: Well, God bless you.

SENATOR ENGEL: My son is an electrical engineer.

GEORGE GARLICK: That is good. It's a good way to start your contribution to society.

SENATOR HEIDEMANN: You might not be the right person to ask, but how many rooms are you thinking about putting in? How many kids per room?

GEORGE GARLICK: I will ask Dr. Sleight to recommend on that. I believe it's 144.

WELDON SLEIGHT: It's 144.

GEORGE GARLICK: A hundred and forty-four rooms. The main role that li will play is allowing through the university relationship with a dorm system and being able to subsidize and see that that happens in a way that you have the greatest return on your money from that area. But with 144 new rooms of new residence hall with the educational wing, with the activity center, you're going to be proud of what you see in the next two, three, four, five years in Curtis, Nebraska.

SENATOR HEIDEMANN: Senator Wightman.

SENATOR WIGHTMAN: I also want to thank you for being here. You take passion to a new level I think. With regard to the residence hall, we talked about doubling the population or doubling the enrollment.

GEORGE GARLICK: Right.

SENATOR WIGHTMAN: Does this take care of doubling the enrollment of traditional students or is this just where we are now?

GEORGE GARLICK: I would like to have Dr. Sleight come up and join me and I will just stand here if that's acceptable.

SENATOR ENGEL: We'll get you a chair.

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GEORGE GARLICK: No, it's OK.

WELDON SLEIGHT: What it does, Senator, is it allows us to bring some-- keep using the old dormitories. We think that if we have some new dormitories there so that students have a choice that that will work and we hope that we still have many students who will come and say we would rather spend less money on housing. Our dormitories are in really good shape, but they-- they use common bathrooms and they're very small. You've been there, some of you, or you know what they are because you lived there when you went to school. But we need some more up-to-date dormitories for many of our students.

SENATOR WIGHTMAN: I didn't see your figure on how many students you have now and how many of those may be traditional students that live on campus or in the city of Curtis.

WELDON SLEIGHT: We have-- we've asked the city of Curtis to take care of our sophomore students, we take care of the freshman students. We have currently 150 beds available. Will the next dormitory, will the next residence hall take care of our needs? No, it won't get us up to the 600 that we need to be. But we think as we add those additional students and have some opportunities to do some more development work and also have the revenue coming in that we can finance the next residence hall.

SENATOR WIGHTMAN: Thank you.

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SENATOR HEIDEMANN: Are you going to be able to do this-- I know who you compete with probably when it comes to residence hall and that's community colleges. Are you going to be able to cost these things out to the students and be competitive?

WELDON SLEIGHT: We couldn't without George Garlick. That's been the problem up until now is we could not-- we didn't have a big enough revenue to pay the cost. And so Dr. Garlick can build those more economical and maybe you need to talk about how you'll do that.

GEORGE GARLICK: It's two things, Senator. Number one, if the private sector is part of the partnership and subordinating themselves totally to the interest of the ultimate area of education, subordinating themselves even to the degree of making contribution and having no requirement whatsoever on return on investment. I have gone into many projects that I have no return on investment. I've got a negative return on investment. I get a positive return on what I do for the community. But the reality of it is there are ways that you can partnership with that where you have the controls over it that is acceptable to the public sector. But you use private construction practices. You reduce the cost there. The second thing is you have to have a private sector that is contributing to that because you want to have the end result is affordable housing that is modern that you enhance the ultimate product. And the ultimate project is educating these students from rural America.

SENATOR HEIDEMANN: Just to make sure we get it on record, you're going on record as saying that if we, as a state, come up and do the educational facilities, you are going to step up and help with the residence hall.

GEORGE GARLICK: That is absolutely correct, with passion. And I've talked with officials at the universities and there are agreements that we would see how that could be done. But in terms of seeing it does-- and taking the risk out of it for the university and for the student, I am stepping into that commitment right now.

SENATOR HEIDEMANN: Thank you very much. Are there any other questions? Seeing none, I appreciate both of you. I appreciate you flying in from the state of Washington to be before us today.

GEORGE GARLICK: OK. All right. Thank you, Senator.

SENATOR HEIDEMANN: You bet. Is there anyone else wishing to testify on Agency 51, the University of Nebraska?

GRETCHEN FORSELL: (Exhibits 16-27) Thank you, Senator Heidemann, other members of the Appropriations Committee. I am Gretchen Forsell, executive director for Northern Nebraska Area Health Education Center or AHEC, located in Norfolk. Today we are here to address you on behalf of the Nebraska AHEC centers. While not a program of the university, our current funding flows through the University Medical Center, which makes this request for funding logical to continue through the Medical Center. The Nebraska AHEC programs work very closely with not only the University of Nebraska, University of Nebraska Medical Center, state and community colleges to assist in the improvement of health for all Nebraskans. In particular,

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AHECs play a critical role in helping UNMC address the healthcare work force issues that our state is facing. Because of the weather, we unfortunately are missing many of our key testifiers today and, of course, many of our supporters who all come from outside of the area here. In lieu of time and consideration of your long day which will continue, I would like to summarize the testimony of the people who are not in attendance today. In your packet you will find a variety of testimonies on the left-hand side. The first is that of Dr, Mike Sitorius. Dr. Sitorius serves as the director of the Nebraska Area Health Education Program and is the Milton Waldbaum Endowed Chair of Rural Health in the Department of Family Medicine at UNMC. Dr. Sitorius' testimony states that through the support-- through your support the Rural Health Education Network began in early 1990. RHEN developed a statewide network of volunteer faculty that has proven successful in providing educational experiences for UNMC students in many of our rural communities. But Nebraska needed more. We needed to develop future health professional pipeline to engage our students in the earlier years about the growing number of health careers. A program funded through the federal government seemed to be a natural fit. The UNMC AHEC program received federal funding in 2001 and today five centers work closely with our Nebraska communities. The AHEC program throughout the United States is described as a federal, state, and community partnership in collaboration with university medical centers. Since receiving the first AHEC federal funding, federal support in Nebraska has totaled more than \$9 million to develop and implement an AHEC system. With UNMC serving as a pass-through agent for federal funds, AHECs are not solely a university program. They do not receive direct funding from UNMC nor are they asking to be a part of the UNMC budget or the University of Nebraska. The money for the AHECs that they are requesting from the state will also pass through the department of family medicine within the college of medicine at UNMC and will strictly and

solely be available for the AHEC program. Dr. Sitorius continues to say we cannot stop the good work and Nebraska needs the support for AHECs. Eighty-two counties are Governor-designated shortage areas. On the right-hand side of your packet you will see a map that details the current state-designated shortage areas within Nebraska. It outlines for you the crisis that many of our communities are now seeing. Sixty-four percent of our dentists are over 46 years of age. Our projected registered nursing shortage by 2020 is 3,838 according to the Nebraska Center for Nursing. We must maintain and increase our pipeline of future health professionals, and the natural conduit to do so is to support a program that has developed a strong base of success in Nebraska in six short years. That is the Nebraska Area Health Education Centers. Further testimony from Bruce Rieker and Carly Runestad with the Nebraska Hospital Association notes that healthcare work force shortages remain a top priority of the Nebraska hospitals. However, significant gaps between work force demand and supply continually challenge the healthcare industry. Minority recruitment is also a primary focus of the AHECs and Nebraska must continue to support programs that significantly increase the number of minority healthcare professionals. As an AHEC center, I can tell you that there are too many of our minority students who are unaware of the opportunities that are there or more importantly are unaware of the opportunities that they can have within a health profession. Currently he goes on to state that a more diverse healthcare work force can improve the health disparities currently encountered by our underrepresented populations which can be found around Nebraska. Testimony from Karen Kropp, a 28-year veteran family and consumer science educator at Grand Island Senior High School notes that AHEC has provided professional development opportunities for teachers to job shadow medical professionals to further their preparation on how to teach those students. Currently in many of the health profession programs that are just starting to come around the

state, few if any of the teachers have a healthcare background. So they have to very quickly learn what those jobs entail and therefore are able to teach the students. Karen continues in her testimony that you'll find on that back page to highlight specific success stories of students which are now either in school or are currently employed as health professionals. Dr. Deb Brennan with the community colleges of Nebraska, dean of the health occupations at Central Community College, noted in her testimony that AHEC has helped facilitate a partnership between Central Community College, Mary Lanning Hospital, and UNMC for joint offerings in radiology technology. Students can now take their prerequisite courses at Central Community College and then complete the Mary Lanning rad tech program and graduate with an associate degree from Central Community College. UNMC also has a partnership with Central Community College so students can take 50 hours of their prerequisites from Central Community and then apply those to the UNMC program at St. Francis. Through the work of AHEC and a great deal of time with utilization of a video switch which is now shared by AHEC and Central Community College, these students have been able to complete these programs. Sally Pieper, director of outreach and medical development for Faith Regional Health Services in Norfolk and also a member of the statewide AHEC Advisory Board since 2002 is keenly aware of the work force issues that are particularly faced in the northern portion of our state. In Sally's testimony she states: Needless to say, much of the health sector work force will be retiring and we will need additional healthcare services. To compound this problem, Nebraska is already behind the national average per capita for the number of physicians according to the National Center for Health Workforce. With 171 physicians per 100,000 population, Nebraska is lower than the national ratio of 198 physicians per 100,000. Please refer to Sally's testimony for a specific example of how one AHEC center can bring additional health professionals to their community

in just the short time that they have been in existence. Sally continues to state: We need AHEC.

The northern region of Nebraska alone has the most significant shortage of nurses, nurses which [INAUDIBLE]-- nurses with bachelor of science degrees, as well as advanced practice nurses, master's of science registered nurses, and especially nurses with mental health, community and public health, and primary care and nursing education. AHECs provide a tremendous service to the state of Nebraska. They are truly a work force training and education connection for the Nebraska state healthcare safety net. The Nebraska AHEC centers are uniquely positioned to provide leadership in the rural health work force issues because of our extensive network of partnerships that the AHEC centers that have developed. These partnerships not only combine the knowledge and capacity of the academic institutions which we work with, but more importantly of all, with the strong commitment that we have to our local communities and their needs. AHEC centers are unique in the services that they provide. They work with respective communities to provide health career activities for K-12 students in order to influence those students to consider a health career. Too many times our youth only know about health careers that they see on television. AHEC accomplishes this task by visiting K-12 schools of which we have visited schools in all 93 counties of Nebraska. We have conducted classroom presentations, summer health career camps, job shadowing opportunities, hosted health career fairs, and attended health career fairs and much more. AHECs provide teachers and counselors with a variety of resources and educational materials that showcase health professions. AHECs also encourage and support students to be adequately prepared for the rigorous requirements of postsecondary professional education. We many times will find it a success to have a student who realizes that a certain profession that they are interested after job shadowing, for example, is not where they should be. There is nothing worse than filling a well-needed spot in a health

professions training program with a student who will change their mind a year or two down the road. We are the only organization of its kind in this state to provide these services. Research has also shown us that health profession students originally from rural areas are more likely to return to those rural areas to practice. And more importantly of all, if a health profession student completes a clinical training rotation in a rural community, they are more likely to return to that community to practice. Nebraska AHEC centers take this research very seriously and have increased the number of health profession students who are doing part of their clinical training in rural and underserved communities. For example, in my center alone in 2003 there were only 85 clinical training rotations. We worked very closely with UNMC and surrounding colleges and universities to expand this number. And by 2004, the number had increased to 100 rotations. And most recently, our area had over 155 students completely 185 clinical rotations. In addition, we are very pleased to date to report that 26 health profession students have graduated and are now practicing within this region. Four of these positions are physicians who will bring over \$1 million to their communities. Two dentists are now employed and are employing two additional health professionals in each of their practices. And a nurse practitioner has reopened a low-income clinic which served residents from six surrounding communities and they are now employing four additional people with expansion planned for an additional community. Using figures from the Nebraska Center for Rural Health Research, just these new health professionals have also created at minimum 19 additional jobs in other sectors outside of healthcare to the state's economy. AHEC also works with neighboring colleges and universities where Nebraska students have gone to school. By providing opportunities for these students to train back home, we are increasing the chance that students will return to the area, therefore reducing the brain drain which many of our rural communities see as so evident. To date, four of

these students have returned to Nebraska to practice. AHECs work closely with current health professionals to aid in their retention. Many health professionals require continuing education to maintain their license. Many times this education is only provided in Lincoln and Omaha. AHECs work with organizations and agencies to expand continuing education opportunities by bringing those programs closer to the rural practitioners or through the utilization of the Nebraska Telehealth Network of which AHEC has been an enthusiastic supporter and a financial contributor of over a half a million dollars to the network's development. Bringing programs closer to our health professionals keeps them in their communities, it decreases the travel time, and more importantly, decreases the time away from their practice. Nebraska AHEC centers are still very new. Our impact is slowly being seen throughout the state. Many of the youth exposed to health career awareness programs in 2001 by Central Nebraska AHEC have only begun to embark on their postsecondary education and are possibly only in their first year of medical school. A recent look at students who participated in intensive AHEC activities, those are activities where a student spends over two hours such as job shadowing or a summer camp, has found that after two years 75 percent of these students are still interested in pursuing a health career and are either enrolled or planning to enroll in a health professions training program. AHEC works was one thing stated to me by Steve and Valorie Slizoski of Newman Grove, Nebraska, recently. As they've stated: I have seen another-- I have not seen another agency that promotes healthcare in this manner or even comes close to what this program does for Nebraska. I cannot imagine what would happen to the future of Nebraska healthcare concerns if this program were not in place. It is cutting-edge and is what we need in our state. Nebraska AHEC centers look forward to continuing a program with a strong foundation. The support that we have garnered through our partnerships in our region is envied by other AHEC

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programs across the country. And I can solidly state that as I came from another AHEC program to Nebraska and the many things that I am able to do here in this center were not imaginable in Georgia. And we had numerous resources there that we don't have here. Together the state, with state support, we can continue to improve the health of Nebraska, improve the healthcare work force, and more importantly of all, improve the economic picture of many of our rural and underserved communities. With your financial support, it will be key to our continued success. Please refer to the small paper entitled "Nebraska AHEC Funding" which is located in your packet. This will provide you with information on the activities that we will continue to do in the 2008-2009 budget period. And these will give you benchmarks on the minimum of which AHEC centers will do with the money provided. We will continue to provide health career recruitment activities to a variety of entities; clinical training programs to our rural and underserved communities; continuing education opportunities to our healthcare professionals; and community and wellness support to those communities who need it. Without your help, the number of counties and student programs will be severely restricted. Please note the funding background also located in your packet. It's a multicolored listing that also has a graph and different figures. You will note that over the past three years AHEC has received funding from a variety of sources. We are not a solely-- a federally funded program. We continue to receive a considerable amount of funding from the federal government which is used to help build and maintain the infrastructure. However, in addition, we have increased our local support by over \$500,000 in just one year, as you will note, from the '05-06 to '06-07 years. We are asking the state for \$600,000 to join in this partnership to complete the original intent of the program to be a federal, state, and local partnership as noted in Dr. Sitorius' earlier testimony. This program will again help to alleviate the shortages and issues in Nebraska that exist today. Please

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remember as noted earlier, just bringing one physician back to a community can enhance that community with over a million dollars. The work force crisis in healthcare in Nebraska is serious. The AHEC program can cost effectively work at the community level to help with this problem. On behalf of the AHEC centers, I would like to thank you for your time and consideration and would be happy to answer any questions that you may have.

SENATOR HEIDEMANN: Where does the local match come from?

GRETCHEN FORSELL: Comes from a variety of sources. Each AHEC has a different scope of our match. It can be anything from local hospitals who provide free supplies, free technical support, free rent for an AHEC center. Many times it will include the housing, meals, and other assistance that our students need when they're out on their community clinical training experiences. Many states pay their students to go out to rural communities. In Nebraska, we do not. We rely on communities to come to the table and provide these students with rent, meals, etcetera.

SENATOR HEIDEMANN: You're evidently here for more funding and maybe I missed it, I didn't hear a dollar figure.

GRETCHEN FORSELL: \$600,000.

SENATOR HEIDEMANN: \$600,000.

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GRETCHEN FORSELL: Correct.

SENATOR HEIDEMANN: In which year?

GRETCHEN FORSELL: In the 2008-09.

SENATOR HEIDEMANN: Second year of our biennium.

GRETCHEN FORSELL: Correct.

SENATOR HEIDEMANN: What is the figure-- \$600,000 is what you're asking for.

GRETCHEN FORSELL: Correct.

SENATOR HEIDEMANN: We're anticipating that we might go into somewhat of a period in Nebraska's economy and our funding that we might be a little bit tight. Could you give me a figure that you absolutely need to continue operations as we see them today?

GRETCHEN FORSELL: \$500,000; \$500,000.

SENATOR HEIDEMANN: And I got to remember if I remember this right, there's a couple of AHECs that are going off of federal funding?

GRETCHEN FORSELL: That is correct. Currently Central Nebraska, which on your map is the red section, has-- is not on federal funding currently and is supporting their center through a reduction in staff, funds that they had previously had, and the community support, in addition to grants and contracts that we all have. Those all vary depending on our region. The next center will be Northern, that's the top 26 counties. They will go off at the end of this year and will do very similar without additional funding. There will be some staff reduction and not so much a change in the focus, but a limitation in what we are able to do with those dollars.

SENATOR HEIDEMANN: I have one more question and then we'll go to Senator Nelson. It looks like your local match has gone up considerably, which is good. Your private funding has gone down from 12 percent to 4 percent. And is that-- do you think that's the way it's going to continue or is that a one-year deal that might have been a little short and maybe can go back up or?

GRETCHEN FORSELL: I can speak on behalf of our center because we did see a decrease in those dollars. It's dependent generally upon the contract and/or funding that we've received and how those funds are structured. As you'll notice for Northern, as one funding went up, the other one went down. We currently have initiated a capital-- type of a capital campaign for our AHEC in particular and have begun to see the private funds that we receive go up slightly.

SENATOR HEIDEMANN: Where did you come up with the \$500,000 figure?

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GRETCHEN FORSELL: In looking at the bare minimum that a center would need to function and serve the vast regions that we have and primarily to provide the staff to do those activities because the federal dollars have provided us with the infrastructure, very few of us need-- that are old enough, the five- and six-year-old centers, very few of us need to purchase anything to go out and do training with students. So right now that would be the bare minimum to continue with the baseline operations and get us out into all of our communities.

SENATOR KRUSE: Thank you. Questions? Senator Nelson.

SENATOR NELSON: Yes. Is this the only thing in the packet with regard to funding and what you've been receiving? Am I missing something?

GRETCHEN FORSELL: No. That is the main sheet related to funding in the last two years.

SENATOR NELSON: So was your most recent funding this figure of \$30,555, am I reading this right?

GRETCHEN FORSELL: For the--

SENATOR NELSON: For fiscal year September 2006 to 2007, August.

GRETCHEN FORSELL: Let me find mine amidst my gigantic pile here.

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SENATOR KRUSE: He's raising the question about what you're getting from the state.

GRETCHEN FORSELL: Correct. The \$30,000 that we receive from the state is through contracts that only certain AHECs have received through different departments. For example, Northern Nebraska, we received a contract to do some work with public health and Southeast Nebraska AHEC received funds from EMS to do a community assessment.

SENATOR NELSON: Well, my question is are we going from \$30,000 to \$600,000? Is that what you're asking for?

GRETCHEN FORSELL: Overall, yes. But we would also be-- we would also continue to work to expand the different partnerships that we have as we move along.

SENATOR NELSON: Thank you.

SENATOR KRUSE: Other questions? I need help on this funding breakdown just in terms of the initials. CN and so on stands for?

GRETCHEN FORSELL: CN is Central Nebraska--

SENATOR KRUSE: Central.

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GRETCHEN FORSELL: AHEC. They're located in Grand Island. NN is Northern Nebraska located in Norfolk. NP is Nebraska Panhandle located in Scottsbluff. OU is Omaha Urban located in Omaha. And Southeast, SE, is located in Beatrice.

SENATOR KRUSE: OK. I'm not quite keeping up. Omaha Urban?

GRETCHEN FORSELL: Yes. That's OU. And SE is Southeast.

SENATOR KRUSE: And that's located where?

GRETCHEN FORSELL: Beatrice.

SENATOR KRUSE: Are there other questions? Yes. Senator Nelson.

SENATOR NELSON: Back up, I'm sorry. Central Nebraska, is that Grand Island, is that what you said?

GRETCHEN FORSELL: Yes, it is Grand Island.

SENATOR NELSON: And NN?

GRETCHEN FORSELL: Northern Nebraska is Norfolk.

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SENATOR NELSON: Norfolk?

_____ : John, [INAUDIBLE].

SENATOR NELSON: All right. Oh, I see. It's right down at the bottom.

GRETCHEN FORSELL: That's OK.

SENATOR KRUSE: Oh, that helps, but you know, that's expecting quite a bit of her.

GRETCHEN FORSELL: That's why it was no problem to tell you what it was.

SENATOR KRUSE: But I was so fascinated with the figures I wasn't getting past that. Do we have other questions? If not, thank you.

GRETCHEN FORSELL: Thank you very much.

SENATOR KRUSE: Thank you very much. Any other testimony regarding the university? Mr. President, do you wish to say anything more in closing?

J.B. MILLIKEN: No, but thank you. I think I'm going to be up on a bill.

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SENATOR KRUSE: Well, we've given good time to this, but it's extremely important to all of us.

So that will close the hearing on the university. (See also Exhibits 13, 14, 15, 28, 29, 30)