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Appropriations Committee
March 03, 2009

[AGENCY 51]

SENATOR HARMS: Do we have anyone else who would like to speak in favor of Agency 47? Do we have anybody who would like to speak in opposition of Agency 47? Do we have anybody who'd like to speak neutrally in regard to Agency 47? If not, then Agency 47 hearing is closed. We will now open Agency 51, the University of Nebraska.
[AGENCY 47]

KENT SCHROEDER: Good afternoon, Senator Harms and other members of the Appropriations Committee. My name is Kent Schroeder, K-e-n-t S-c-h-r-o-e-d-e-r. I am the current chairman of the University of Nebraska Board of Regents and I'm extremely pleased that you've given me an opportunity, on behalf of the Board of Regents, to appear today and to speak to you and discuss the submitted budget by the university. Since 2005, the work of the Board of Regents has been guided by a strategic framework, a document that establishes goals for the university and specific performance measurements that allow us to track our progress in achieving those goals. The strategic framework has created a new level of accountability in the governance and management of the university, with goals established and performance measured in every key area, including enrollment, timely graduation, academic quality, research growth, work force development, engagement with the citizens of Nebraska, and public accountability and transparency. So when I come to this committee and tell you that the university is strong and healthy, that it is providing a high quality education to our young people and, I might add, a few of us that are not quite so young, that it is conducting research that is important to Nebraska and beyond our borders, that its physical management is sound, I can do so with the greatest of confidence. I have been a member of the Board of Regents since 1998 and I believe that today we have the best leadership, the strongest administrative team, the highest quality of students and faculty, and the greatest commitment to serving the public that I have seen during my tenure on this board. I'd like to briefly review six overarching goals of the strategic framework and tell you how I feel that they are impacted by the actions of this

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committee and the full Legislature. Our first goal is affordable access to high quality education. We measure our success in achieving that goal by enrollment, tuition levels, graduation and retention rates, the availability of need-based aid, and our ability to secure adequate state resources to provide excellent academic programs. Without a stable level of state support, we risk higher tuition, lower enrollment, less opportunity for students who need financial assistance, and a reduction in academic programs. Our second goal is to build high quality academic programs with an emphasis on excellent teaching. Success is measured in large part by our ability to recruit and retain outstanding faculty in an increasingly competitive environment. President Milliken will address the concerns we have with regard to faculty salaries and especially our obligations at the University of Nebraska at Omaha and University of Nebraska at Kearney, which are unionized faculties. It is a longstanding goal of the board that our faculty salaries are comparable to those of our peers. We still lag behind our peers. And this is an area in which we are at risk of falling even further behind, which has long-term implications for the quality of this university. The third goal is work force development and stemming the out-migration of talented students from the state. We have done an excellent job of keeping top students in Nebraska, but our continued success depends upon maintaining an affordable cost of attendance and keeping excellent academic programs and top faculty. The students we want to attract from within and outside the state must view the University of Nebraska as not just an affordable choice but an excellent education that will prepare them to be successful in the twenty-first century work force. To do that, we can't stand still. We must continue investing in our academic programs and faculty. A fourth goal relates to expanding our research enterprise. While our success in this area depends in large part on federal support, we must have the proper infrastructure and the equipment to support that research and we must be competitive for the faculty who bring in the major grants. This is an area that pays major dividends to the state in creation of new knowledge and new jobs. Research at the University of Nebraska supports more than 10,000 Nebraska jobs. The fifth goal is outreach to Nebraskans, providing programs, education, and services to citizens, communities, agriculture, businesses, and other educational institutions. The university

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has a presence and a role in every county in Nebraska and is helping Nebraskans start their own companies, increase the productivity and profitability of their farms, ranches, and businesses, and enjoy a better quality of life. It is difficult to put a price tag on the value that the university adds to the lives of our citizens. The final goal is accountability, accountability to the citizens of Nebraska and cost-effectiveness in our operations. This includes careful management of our funds from all sources, implementing business efficiencies to save money, and using technology effectively to support our mission. One of the major initiatives is the new student information system, which provides a better and more cost-effective system for managing all student records for both this university as well as the state college system. This system had to be replaced and its implement is costly, but it is important and necessary long-term investment. I fully appreciate the challenges of today's economic climate, but I urge you to consider that the role...the role a strong university can play in that process of an economic recovery. I would ask that you provide funding at a level that allows this university to meet its obligations and to continue effectively serving the people of this great state. Thank you. I'd be open for questions. [AGENCY 51]

SENATOR HARMS: Thank you very much, Kent, for your testimony. You have any questions? Senator Nantkes. [AGENCY 51]

SENATOR NANTKES: Thank you. Thank you, Regent Schroeder, for coming down today and we had a chance to start this dialogue briefly yesterday when we examined the budget for the state college system, which I think there's a lot of similarities in terms of the university's budget, obviously great differences as well in scope and mission. But we've been hearing a lot and talking a lot with folks in other states about their budget situations and they're talking about making some pretty drastic, pretty dramatic negative cuts in terms of their state support for institutions of higher education in their states. And I know that we here in Nebraska are fortunate to be in a slightly better economic position and I really see this as an opportunity to make strategic investments and to move our state forward into the future and I'm wondering if you or the Board of Regents

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have had a chance to think about that specifically and if you had any thoughts that you might want to contribute to the dialogue today. [AGENCY 51]

KENT SCHROEDER: I think of the greatest concerns of the Board of Regents has historically been when we've had some budget cuts, although not drastic budget cuts, that if you go too far you will never be able to resurrect the programs that you've lost, and that, I think, remains one of our greatest concerns. It's hard to restart something that you've lost. Hope that responds to your...I wanted to stay to you could you ask me a question about LB37. (Laugh) You know, I spent 13 years on the Good Samaritan Hospital Board and obviously 10 years on the Board of Regents and I've been to every nursing graduation at the Kearney facility, the two satellite facilities, and I can tell you that unequivocally every graduate had a job. They had a job within 100 miles of Kearney. I can remember one student who went to Phoenix, that's because her brother was there, and she since is back, returned to Kearney and works out at the Heartland Surgery Center. So the two satellite facilities in Scottsbluff and in Kearney and hopefully in Norfolk, Nebraska, are an extremely important part of our overall mission here. [AGENCY 51]

SENATOR HARMS: Do we have any other questions for Kent? Kent, thank you very much for your testimony. [AGENCY 51]

KENT SCHROEDER: Thank you so much. [AGENCY 51]

SENATOR HARMS: Do we have anyone else who'd like to speak in favor of Agency 51, University of Nebraska? [AGENCY 51]

J.B. MILLIKEN: Thank you, Senator Harms, members of the committee with the most stamina. I appreciate the opportunity to be with you again this afternoon and to discuss the University of Nebraska's budget request. My name is J.B. Milliken, that's M-i-l-l-i-k-e-n. I'm the president of the University of Nebraska. I guess first I want to

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acknowledge the difficult task that this committee, this Legislature, and the state of Nebraska faces this year. We understand the task that you have as the state and national economy suffer and the revenue projections for the state decline. Today I am here to ask you to invest in the University of Nebraska, not because we deserve some special place in the state or an exemption to the difficulties the state faces, but because I think that an investment in the university is important strategy for the economic recovery of this state and it's an important investment in future generations. When I testified on the last biennial budget two years ago, I told this committee that I thought the university was in a position, as almost no other institution in this state, to help this state to advance. I believe that today even more strongly than I did two years ago. I think that, while the natural instinct in difficult economic times is to hunker down and to try to last, I think at this point, to the extent we are able, we must continue to make state investments in those priorities that are an important part of the state's recovery. In the case of the University of Nebraska, I view it as an investment in an institution that will help our state grow economically, that will create jobs, that will help citizens increase their earning capacity through greater education, and that will continue its investment in research and areas important to Nebraska's economy. University was founded 140 years ago to serve the people of the state and that is our mission today. The economic conditions at that point were somewhat worse than they are today but our ancestors made an important investment in this university. They believed it was in the long-term best interests of the state, and I believe it still is today. Our goal, which you have heard me say before and I'm going to keep saying it, our goal is to be the best public university in the country, not in terms of any magazine poll but in terms of the impact that we have on the citizens of our state, and that is the reason that we are here today to ask for your support. Now history is a great teacher and we've seen over the last eight years what has happened with access, with affordability, with growth, with success of the university. In the first of those four years we had reductions in the state budget. We had tuition increases that were double-digit in each of four years. We had enrollment loss at the University of Nebraska. We had less access for citizens in the state. Over the last four years, with stable state support, we've had increases in tuition which have been less

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than half of the rate in the preceding four years, we've had growth in enrollment every year, we've had increases in research, increases in private funding. We've also done what you've charged us to do through the LR174 task force, not only increasing in-state enrollment but increasing out-of-state enrollment, bringing more talent and more revenue into the state of Nebraska. Now I don't think these happen by coincidence. I think the stable state investment in the university has had an enormous difference in the performance of the university and its ability to achieve what Chairman Schroeder referred to as our highest priority--providing affordable access to Nebraskans. So today we have the highest enrollment that we've had since 1996 across four campuses in every category--undergraduate, graduate, professional enrollment, out-of-state, international, and minority enrollment. Each of those have risen in the last year. And on every undergraduate campus we have the highest average ACT score that we have had in our history. We are keeping more of the best and the brightest in Nebraska. In fact, about half of the Nebraska students who graduated in the top 25 percent of their high school class last year now attend one of the four campuses of the University of Nebraska. We've also become more competitive in use-driven research, building national and international reputations in areas such as agriculture, water, alternative energy, highway safety, rural health, cancer, early childhood education. This benefits the people of Nebraska, benefits our economy in a number of ways. Not our figures but figures from the Bureau of Economic Analysis demonstrate that for every \$1 million of academic R&D, 34 jobs are created in the region. Now if you just take the...roughly the \$300-and-some million of R&D activity annually at the University of Nebraska, it's well over 10,000 jobs, according to this, the national statistic. We have had an ambitious building program over the last few years funded, for the most part, by private funds and by self-generated funds in research and education and student housing. To name a few, the Ken Morrison Life Sciences Research Center at UNL, the Michael Sorrell Center for Medical Sciences Education at the Medical Center, Criss Library at UNO, and two major medical research towers at the University of Nebraska Medical Center. Our donors tell us that one reason that they invest in the university is the growth and success and momentum; that they are interested in investing in a winner. Now I would add that while

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we've had remarkable success recently and had the greatest fund-raising year in our history last year, we don't expect this to continue, this trend to continue, at least for this year and the next couple of years, but we have had an enormous success in private fund-raising which takes a considerable burden off the taxpayers of Nebraska. I want to refer very briefly to our request. The request was developed, as you know, last spring, approved by our Board of Regents in June. The economy looks a little different today than it did last June. We know that the request we submitted to you and to the Governor is now beyond the state's ability to support and so I would begin by asking you to look with us at those items that are highest priority, that are essentially mandatory for us, that we will be obligated to pay regardless of the level of state support. These included required salaries and benefits, and I'll say a bit more about that in a moment; utilities increase; increases in health insurance costs; new building openings and maintenance costs for those facilities that will be open during the next biennium. Almost 80 percent of our budget is personnel so the 14,000, roughly, faculty and staff that we have at the university is a considerable amount of our budget. In our request we asked for 2.5 percent increase annually. The Governor asked us to put that number in the budget request and we did. We now have a little more information. A couple of weeks ago we received a ruling from the special master in two bargaining cases, one involving the faculty at the University of Nebraska at Kearney and the other involving faculty at the University of Nebraska at Omaha. Our final offer with both bargaining units was the same as the Governor's settlement with state employees--2.9 percent in the first year and 2.5 percent in the second. The special master ruled for us in the Kearney case, ruled against us in the Omaha case. He ordered a 3.8 percent increase in each year of the biennium at UNO. He also directed us to start a new life insurance benefit for the faculty at UNO. That leaves us faced with a decision of whether to extend that benefit to all employees, as we have done with every other benefit the university offers, and increase the price to approximately \$2 million. We have until March 15 to make a decision on appealing that case and we will discuss that with the Board of Regents later this week. We are analyzing that now. So the other what I would call mandatory items in the budget, and I would begin by saying that these were estimates in June, they're

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estimates today: health insurance increases at 10 percent, utilities increase at 8 percent a year, an increase in the amount of money that goes into our Collegebound Nebraska Program. This is a guarantee to every Nebraskan at a certain income level that you will pay no tuition at the University of Nebraska. So as more students come, as we grow enrollment particularly in that group, that income group, we have to increase the level of financial aid that we provide. Now we're in a fortunate position with that this year because of the largest increase in Pell Grant funds from the federal government in history as part of the economic recovery package this year. That will be a great benefit, I think, to Nebraskans and it will help, I hope, extend our Collegebound Program even beyond the level of support that it now provides to a greater number of Nebraska families beyond the income level that is now the requirement for that program. But if you take those mandatory items and look at a 1.5 percent increase for the university, that leaves a shortfall of about \$45 million. If you assumed for, just for purposes of discussion, a 5 percent tuition increase, which I'm not suggesting, but that is....if you take the last four years, that's roughly the average, that would leave a shortfall of \$23 million over the biennium. Now so to take this a step farther, this illustration, if you took 80 percent of the budget, which is made up in personnel, and said 80 percent of the budget reduction would be in personnel, that would be somewhere between 300 and 600 jobs, based on the average salary for a job on each of our campuses. So there are different levels on four campuses, but it would be 300 to 600 depending on whether you use the \$23 million or \$45 million figure. Now reductions won't only be in personnel, I can't say that 80 percent of them would be there, but just for purposes of illustration. There are four other items that I'll briefly mention in our request. The first is the student information system. You heard briefly about that before. Last year the Legislature funded what we believe is roughly two-thirds of the requirement to fund that project. This is one-time funding. The NITC approved our request, the state college and university, at a level of about \$32 million. You appropriated \$20 million last year. We're seeking a little over \$10 million this year to finish the implementation of that student information system. Every time I talk to anyone about the costs involved in this, I feel compelled to repeat what I acknowledge and I think all of you are thinking, that these

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are expensive, they certainly are complex and time-consuming to implement, but they are also absolutely essential and we are well on the way to implementing this in what I would say is a historic partnership with the state college system. And from all accounts, things are going very well in this implementation. And I just want to remind you that we believe that over time this is going to save the state a considerable amount of money, not doing this just over four campuses of the university or three of the state colleges, but over seven where we'll have common data definitions of common business practices driven by this student information system. And then when we upgrade, when we patch this system over coming years, we hope to do it one time as opposed to seven times. The second item, I won't go into the rationale unless there are questions on nursing. We do believe this is one of the most important priorities the university has. We've asked for one capital...new capital project this year and that's a \$17 nursing facility in Lincoln. Our nursing programs have been housed for the last four years in a former department store in downtown Lincoln. We turn down about 60 percent of our qualified applicants in Lincoln every year. This would go a long way to helping solve the nursing shortage in Nebraska. We think we could grow our enrollment 23 percent in nursing through the addition of this new facility in Lincoln. We talked earlier about the investment we're asking for in LB37 for the northeast Nebraska nursing facility, and I won't say any more about that now. The final item is an investment in educational center at the Nebraska College of Technical Agriculture in Curtis. This was first discussed last year and was the subject of legislative intent language last year. The college did what many people, I think, thought would be almost an impossible task--raised \$1 million in private funds as part of their end of the bargain here to support this new facility. Want to say a word about what the university is doing. I wrote about a week ago to our 14,000 faculty and staff to describe what I thought the fiscal condition of the state was and the position in which it put the university, and what our approach would be to, at a minimum, reallocation in the budget and likely a reduction in the budget. We have been since December looking at ways to save resources this fiscal year so that we could use them next year to ameliorate any necessary reductions in the budget, and we are guided by a set of principles on each of our campuses as we look at the either cuts or reallocations

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that have to be made. Regent Schroeder indicated the first of these is this board strategic framework, and the highest priority in that being maintaining affordable access. The Collegebound Program I mentioned earlier, which we will continue to support fully, supported 4,300 students in the fall of this year. We hope that will grow and that we will not reduce our commitment to need-based financial aid regardless of what happens with the rest of the budget. We'll look to the mission of the university over all and the mission in each campus. Each campus has a unique mission and we need to maintain campuses that reduce the level of redundancy among our campuses, programmatic and also business and support services, so we're looking at ways to economize across the system. We follow the state statute that informs us that the university's highest priority is undergraduate education, its second priority is graduate and professional education and research, and its third priority is outreach to our citizens. When reductions are necessary, we will look first to vertical cuts as opposed to horizontal. As painful as those are, we can't afford, I don't think, to have a university in this state where we are reducing the quality of programs across the board. And finally, we will continue to invest in those academic priorities at the university, including the programs of excellence, which we have talked to you about each year. We will continue to invest in priorities, which means in some cases we'll continue new hires. We have not implemented a hiring freeze as some of our peer states have where they are in worse financial shape than we are. We have put an additional level of review on hires, but we think that this is an opportunity for the university and we need to take advantage of this. We need to continue investing in our priorities even if that means that the amount reallocated has to be greater. I read the other day Warren Buffett's letter to his shareholders where he wrote that there are great opportunities in tough economic times. I'm not sure that your circumstance is parallel to Mr. Buffett's, although I wish you had the same level of appropriation to provide, but I do encourage you to take to heart his message and consider the long-term benefits even in this time, the long-term benefits for the people of Nebraska by investing in a strong University of Nebraska. I thank you for your time and I would be pleased to respond to any questions. [AGENCY 51]

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SENATOR HEIDEMANN: Thanks, J.B. Thanks for everything you do for the university and state of Nebraska. Questions? Senator Fulton. [AGENCY 51]

SENATOR FULTON: Thank you, President Milliken. Part of the concern I think that we have is what this is going to do to students. Now this is somewhat of a hard question but I think that we need to hear it, if you're prepared to speak to it. What do you anticipate could happen with regard to, and this isn't a promise, I understand that, but what do you anticipate could happen with regard to tuition if we were to maintain what our preliminary recommendation indicates? [AGENCY 51]

J.B. MILLIKEN: I'm surprised anyone asked about tuition. You know, our goal is, as I mentioned, highest priority--affordable access. Last four years we have maintained a level of increase at less than half the rate of the previous four years. On each of our campuses we are below the midpoint of tuition rates of their peers and we have consistently had increases over the last four years that have been below the average rate of increase for similar public universities. So we have maintained our commitment to having affordable access. The second, I think, piece of that is to...is to provide assistance to those who need it most and that is the Collegebound Program, the guarantee of free tuition for anyone in Nebraska with a family income of \$45,000 or less. We hope we can expand that and raise that threshold with additional Pell investment this year. A third part of this is efficiently operating so we can keep our costs down. The fourth, of course, as you mentioned, is the tuition rate. Generally, our policy has been...not our policy, our practice has been to wait on the state level of appropriation. As I've said over the last eight years, when it's been stable, I think our tuition rates have been moderate; when it hasn't they spiked earlier in the decade. I did say in each of my two communications to all of the faculty and staff, and have certainly had this discussion with the chancellors many times, that we will not balance the budget, even if your original level of appropriation would hold for the university, will not balance this budget with increases in tuition. Yes, it is likely there would be some increase. No, we will not raise it to the level necessary to balance it. As long as I'm here, we will do everything we

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can to keep tuition rates affordable and, as we've done over the last four years I think, predictable. [AGENCY 51]

SENATOR HEIDEMANN: Are there any other questions? Senator Nordquist. [AGENCY 51]

SENATOR NORDQUIST: President Milliken, you mentioned that you guys have not implemented a hiring freeze, but what kind of concrete steps have you taken to tighten the belt, essentially, over the past few months leading into, you know, the coming years that look, you know, pretty tough? [AGENCY 51]

J.B. MILLIKEN: Well, thank you, Senator. I can tell you that we have...we are reducing hiring, we just aren't freezing it. We're trying to make tough decisions on every potential open position. We want to be able to continue to invest in the highest priorities. My experience with hiring freezes is that they get imposed and then there are exceptions made when absolutely necessary. So we've tried to be kind of upright about this at the beginning and not freeze it, just require an additional level of scrutiny on those hires. We've been working with each of the campuses to try to identify areas in the nonpersonnel budget, in travel, in purchasing, in other areas to reduce overall expenditures. The announcement by the Governor and I think endorsed by the Chairman of this committee and I'm sure others at the end of the last calendar year that state agencies would be encouraged to save and be able to reinvest that next year has been a great motivating force for people throughout the university, and I communicated that to them on December 1. I met with the chancellors that day. And so they are...I can tell you they are motivated and are working on ways to try to save to be able to help them come the next biennium on July 1. But there's a review of personnel, 80 percent of the budget, and nonpersonnel items. [AGENCY 51]

SENATOR NORDQUIST: Uh-huh. In the personnel budget, have you guys looked at doing anything, you know, over the next two years if we're going to hit...you know, the

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university might be a little bit removed from this, but hit hard times in the state and other areas, looked at doing anything with like faculty sabbaticals, tightening anything up there? [AGENCY 51]

J.B. MILLIKEN: That has been a step that's taken at some universities. We haven't mandated it yet but it is something we'll look at. Some universities have looked at mandatory furloughs. [AGENCY 51]

SENATOR NORDQUIST: Uh-huh. [AGENCY 51]

J.B. MILLIKEN: You know, we continue to look at a number of things that are available to us to analyze, first of all, whether legally we can do them, second of all whether they make sense for us. So instead of at this point banning... [AGENCY 51]

SENATOR NORDQUIST: Sure. Sure. [AGENCY 51]

J.B. MILLIKEN: ...any travel, freezing any salaries, we try to do this on a case-by-case basis, continue to make decisions that support the priorities of the university. But we will...I am meeting frequently with the chancellors and they are meeting with their leadership teams on the campuses to explore any alternatives to how we'll manage the budget. It will be somewhat different on each campus. [AGENCY 51]

SENATOR NORDQUIST: Uh-huh. [AGENCY 51]

J.B. MILLIKEN: There will be somewhat different obligations probably on each campus and they will be in a somewhat different position. So in some areas, they don't lend themselves to a universitywide mandate. [AGENCY 51]

SENATOR HEIDEMANN: Senator Harms. [AGENCY 51]

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SENATOR HARMS: Thank you very much, J.B., for being here. Appreciate your testimony. I have just a couple questions I'd like to ask you. You have a strategic long-range plan, is that correct? [AGENCY 51]

J.B. MILLIKEN: Yes. [AGENCY 51]

SENATOR HARMS: Do you have an administrative summary of that that you could share with us? I'd really like to be able to... [AGENCY 51]

J.B. MILLIKEN: Absolutely. [AGENCY 51]

SENATOR HARMS: ...to read that. I think my colleagues would also like to read that because I think long-range planning is, you know, is pretty important to us, not only in the state but at the university. When you compare your salaries when you deal with collective bargaining, do you have an array that you follow, that you compare yourself with? [AGENCY 51]

J.B. MILLIKEN: Yes, each campus has its own array. [AGENCY 51]

SENATOR HARMS: Is that the same array that the Coordinating Commission requires? [AGENCY 51]

J.B. MILLIKEN: It is not the same array that the Coordinating Commission has adopted. [AGENCY 51]

SENATOR HARMS: Okay. [AGENCY 51]

J.B. MILLIKEN: But in two cases, these are arrays that the CIR now requires, unless they would change through negotiation or their decision. [AGENCY 51]

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SENATOR HARMS: Do you have then, if you are using those different campuses as an array for comparison, do you compare your cost also, like what are your FTE costs in this array in regard to your institution? Because I think... [AGENCY 51]

J.B. MILLIKEN: We do. [AGENCY 51]

SENATOR HARMS: ...it's kind of hard for...at least for me to get a handle on what your costs are and how you compare. I think it's really important for us to take a look at whether we are in line or out of line. Do you have that and... [AGENCY 51]

J.B. MILLIKEN: Yep. [AGENCY 51]

SENATOR HARMS: ...would you be willing to share that with us? [AGENCY 51]

J.B. MILLIKEN: Absolutely would be willing to. [AGENCY 51]

SENATOR HARMS: Good. Thank you. [AGENCY 51]

J.B. MILLIKEN: We've done a recent look at this, because of something called the Delta Project, which is supported by a Lumina Foundation and I think a very bright analyst has been leading this, Jane Wellman. We met with her a few years ago when we were looking at our tuition policy. She's an expert on that. We're going to meet with her in a week or so again. But we've looked at their results on cost to see how we compare nationwide and then we've done some analysis with our peers. I think that it's important that we, if we're going to use an array of peers for one purpose, that we use them for other purposes as well. And so if we're going to pay at a level for a certain array, we ought to make sure that our productivity level is the same as that array. We ought to compare for a number of purposes. [AGENCY 51]

SENATOR HARMS: I agree with that. That's why I was asking the question, because I

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think that's really where you have to go. In your array, do you compare undergraduate/graduate levels or how do you have that broken down? [AGENCY 51]

J.B. MILLIKEN: Yeah. [AGENCY 51]

SENATOR HARMS: And then what about the University of Nebraska Medical Center? [AGENCY 51]

J.B. MILLIKEN: First of all, this work was done in the early nineties. We had...it was led by three outstanding former university presidents who worked with our institutional research staff to develop a set of variables that would be considered, role and mission, Carnegie classification, FTE size, budget size, region, so we would take out some of the differences in cost of living. And then...and these presidents were from similar kinds of institutions. We brought in the head of a health science center to join the group for the Medical Center. So we developed them at that time and so between about '92 and '94 the Board of Regents approved these ten-member peer groups, and so UNL's peer groups are research one institutions, wouldn't surprise you, most of which are in the Midwest, I think probably all of them depending on your definition of the Midwest; UNO's are similar-size master's degree granting institutions; and the Medical Center's are medical centers at large public universities. [AGENCY 51]

SENATOR HARMS: Well, I think it would really be helpful, at least for me, to have an opportunity to review those costs and see how you compare out. In regard to your innovative campus, could you kind of bring us up to date with where you are in regard to that? And then I want to talk to you a little bit about what's going on, on that campus. [AGENCY 51]

J.B. MILLIKEN: Sure. We have...we did a request for proposals and the proposals came in, in early February. They are under review now. We think it was successful. There was a large number, I'm not going to be able to tell you offhand, just under 20 I think, that

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came in, good firms, good proposals. So we are analyzing those now and at some point we will come to the Board of Regents with a request to approve an agreement with a firm to begin the planning for the development of that. [AGENCY 51]

SENATOR HARMS: What kind of research are you looking at to go on, on that innovative campus? [AGENCY 51]

J.B. MILLIKEN: Well, we... [AGENCY 51]

SENATOR HARMS: Are we looking at the...you know, are we looking at the future? Are we looking at innovative approaches? You know, are we looking at nanotechnology and the kinds of things that puts us on the cutting edge? [AGENCY 51]

J.B. MILLIKEN: That sounds like a leading question. I think I know... [AGENCY 51]

SENATOR HARMS: It is. [AGENCY 51]

J.B. MILLIKEN: ...where you want me to go with this. (Laughter) Well, the answer is, yes, we are and...but, you know, I want to make sure I...especially because of who's going to follow me at the table, I want to be clear and consistent about the response to this kind of question. I had said from day one, before we embarked on this venture, before we visited the Centennial Campus at North Carolina State and had the Governor visit and other leaders, before we looked at other research parks that to be successful in Nebraska we were going to have...we were going to invest in an area and develop this Innovation Campus around a set of disciplines in which we were leaders and could be leaders; that we probably wouldn't be wise to think that we were going to displace Silicone Valley or Austin, Texas, in certain areas or Research Triangle Park. Life sciences in agriculture and on the city campus, that's a huge growth industry in the private sector. That's where we'll have, I think, a great strength. We have engineering nearby. We have a new physics building going up nearby. We have a new

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nanotechnology facility, which will be about the closest academic facility to the Innovation Campus. We hope that the Agricultural Research Service will move ahead with its plans, in which it's already made an investment, to build a \$55-plus million research facility on the Innovation Campus. It would be the first building. It would put a stake in the ground in terms of the kind of research in alternative energy and other areas and have it in... [AGENCY 51]

SENATOR HARMS: Is that a federal lab? [AGENCY 51]

J.B. MILLIKEN: It is a federal lab. [AGENCY 51]

SENATOR HARMS: Okay. [AGENCY 51]

J.B. MILLIKEN: Which has the added benefit of having the federal government investing in our campus and our state and I think would be a great core tenant on the Innovation Campus. It's not one we anticipated when we started our planning but it really adds a great dimension to the private and public sector, state sector that would already be there. [AGENCY 51]

SENATOR HARMS: Oh, I think that federal lab is like a magnet. It just draws all other kinds of research and people. Just from my experiences, what I've looked at and places that I have visited in the past, wherever you have a federal lab you have some great opportunities because it brings a lot of money in. It's an attractive sort of thing to have on your campus and you'll find that you'll be very successful. I happen to think this innovative lab, to be honest with you...or innovative campus is a fresh breath of air for Nebraska. I think it's going to move us into the future. I think it's the first time that I can see some light at the end of the tunnel that we are going to get into the innovative, creative side so that we can be competitive in a whole changing world, global economy, because that's where we're going to have to go to be successful here. And so I applaud what you're doing there. One other question that I'd like to ask you in regard to your

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public office, public policy office. Have you revamped that yet and are you? What are your thoughts about that particular issue? [AGENCY 51]

J.B. MILLIKEN: I feel like this is another leading question although you didn't give me the answer this time. Senator Harms, you and I share the same view about what the University of Nebraska Center for Public Policy should be about. I think it should be a resource for the state of Nebraska and for its policymakers to help provide policy options, informed analysis by expert faculty, and we do a good deal of that and have done some on specific projects for the state and in whole areas where we've been success getting grant funding. You know, the real bit of the struggle for us is how to sustain that activity. For instance, economists are expensive and so to have people who are on staff there to do economic research for the state on taxes and stimulus packages is a costly endeavor. I don't think we're there yet. We've had...you know, of the ten years it's been in place it has created...it's been a model that it's been able to sustain itself, it's been able to do some good work in a number of areas, discrete areas. But I do think that there...I certainly have an interest in expanding it so that it would be available to provide policy advice to this body and other policymakers in the state. [AGENCY 51]

SENATOR HARMS: Well, we both agree upon that topic. I don't know whether my planning bill will come out or not, but I think in the future we're going to have to knock on your door. I just don't see any way that we can take this state and move it forward, put it on course where it needs to go, address the issues of a changing world, global economy. And I keep using that term because that's really what we're into. Even though we have a financial crisis, not going to be here all the time and when this unfolds and things become better we have to be really ready as a state to move forward because we're going to have a very short window to go through here. With the innovative campus that you're preparing for, we have an opportunity here to do some really great things. But if we're not very smart in the planning process we'll just stagger and we'll continue to flounder and not know where we're going to go. So it's a concern for me and I applaud what you're doing here. I think it's very important. [AGENCY 51]

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J.B. MILLIKEN: If I could just say, Senator, that about two weeks ago I met with the head of the Public Policy Center and together with the dean of the College of Public Affairs and Community Service at UNO, both of those organizations I think could contribute to the kind of planning that you're talking about, both the process and then ongoing policy analysis, and both were enthusiastic about participating. [AGENCY 51]

SENATOR HARMS: I have one other question and then I will not bother you anymore, okay? Sorry about that. I have a real interest in the University of Nebraska Medical Center and some of the research they're doing. Can you kind of bring us up to date with what's really happening there in the center? It's been a...I think a couple summers ago I had the chance to go over and go through the center. I was really impressed with the young researchers and the goal that they had and their thinking and the ability to raise the dollars. And I think where I live a lot of people do not realize that that's a real jewel for us. I mean to have that kind of research being done and the kind of doctors that are there teaching and doing the research, we're just very fortunate. And we have a tendency to look towards Colorado and, to be honest with you, I don't think there's any place better than what I've seen here. So what...could you just share a little bit? [AGENCY 51]

J.B. MILLIKEN: You know, we've been very fortunate in part...for a number of reasons. Again, I would say support from the state, one reason; two, we've had great leadership there; three, we've had enormous commitment from the private sector. You know, we just opened a \$55 million medical health education center to train the next generation of Nebraska doctors. It's second to none in the country. Very few places have built new medical education facilities in the last generation or so. This is a great facility and will attract, I think, the best to study. We're also about to open the second Durham Research Tower, a second, twin, 15-story tower which is already going to be fully occupied. You know, you look back even five years ago this didn't exist. Now we have two of them, side by side, fully occupied, doing cutting-edge research and attracting

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some of the best people from around the country. I use the example occasionally of a gentleman named Hamid Band, who came recently, about a year or so ago, plus, from Northwestern, brought millions of dollars of grant funding with him and 14 other researchers in breast cancer research in one move. I mean these are the kind...these clusters of researchers that we can attract, with appropriate space, who bring their own funding add incredibly to the strength of the Medical Center, the university, and the state of Nebraska. I hope, and I've said this many times before, that we can continue to develop the Eppley Cancer Center to be a comprehensive cancer center with National Institute of Cancer designation. It would be about 1 of 30 in the nation. It would be a premier institution in terms of focusing on issues of rural cancer where, not unlike our College of Public Health, our new college that just opened which really occupies a space in the Great Plains that has not been occupied before in the disciplines that are in that college. So there's a huge amount of opportunity for us and it's one of the reasons I think we need to keep our eyes on what our goal is here and how we're investing for when we do come out of this, this economic condition, to be a strong university that's going to continue to contribute to Nebraska. [AGENCY 51]

SENATOR HARMS: Yeah, I wish that a majority of the public understood what you have there because I don't think they do at this point, at least the further west you go I don't think they do. Thank you for your patience with me. I appreciate your comments.
[AGENCY 51]

J.B. MILLIKEN: Oh, anytime. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 51]

SENATOR MELLO: Well, I'd also like to thank you, President Milliken. And Senator Harms actually mentioned a few of the issues I was going to ask so I won't ask them, and thank him for bringing them up. Really one question, and I guess it's more on one of your funding initiatives. I think most members of the committee realize that college

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affordability is a big issue that I believe in and I guess the question more is why should the Appropriations Committee invest \$3 million more in the Collegebound Program at the university instead of spending that money on a similar program at the community college level or at the state college level or at the Postsecondary Coordinating Commission through their ACE Scholarship Program that kind of helps see a more an immediate impact in the work force? [AGENCY 51]

J.B. MILLIKEN: Well, in the spirit of my friend Bill Path, who testified earlier, I'm going to say I wouldn't say you should do it in spite of those or instead of those other programs. I'm a huge supporter of access for higher education in the state. This happens to be a program that we have. You know, I think that part of our affordable access goal is driven by the need to educate more Nebraskans, period, and really about the only area we have control over is what the University of Nebraska does. So I want to grow our enrollment every year and I want to grow our enrollment among that sector of the economy that wouldn't be able to go on to college if it weren't for programs like Collegebound. So we will invest in it and find ways to increase that number whether you're in a position to appropriate funds to it or not. But I'd say, you know, I sure hope that we have a robust community college system in this state. I mean we're starting a new program to make it more seamless for community college students to move to the university. You all supported legislation, I think it passed last week, to...which really was...the impetus for that was so that we could ensure that community college graduates, associate degree graduates who come to the university are eligible for financial aid from the federal government even without a high school degree. So we're looking at ways to try to provide more access in a number of different ways. Collegebound is one of them. I think it's important. I read to two 4th grade classes yesterday at Minne Lusa School in north Omaha and told all of them that they could come to the University of Nebraska. Of course, they have to take the minimum course requirements and meet the ACT level, but that there was a promise for them that, regardless of their income level, that the University of Nebraska would be affordable. Now when you're in 4th grade that...I don't know, that may not have...I don't know that

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they'll remember that. I asked them to come visit me and one of them...one boy raised his hand and said, what if you retire before then. Thought that was pretty astute (laughter) because the odds of that, if he looks at the track record for university presidents, is probably pretty good. But I would say, yeah, I support the investment in affordability for higher education. [AGENCY 51]

SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 51]

SENATOR NANTKES: Thank you, President Milliken. I, just to dovetail on some of Senator Harms' and Senator Mello's comments, I think it's so refreshing to be able to talk to an arm of state government that has had the vision, independence and foresight to engage in strategic and long-term planning, particularly in times of difficult budgetary decisions. This is something that we as a committee have grappled with in each of those heartbreaking decisions across the board in how they impact various, various aspects of state government and we're generally left with no information and no understanding of how our actions really impact those services. So I think that the course that you and your predecessors have set the university on is, as I mentioned initially, refreshing, so that we can have a clear understanding about where we are and where we want to go. Finally, in that vein, I know that you mentioned during your comments that you've started to look internally in regards to your response to whatever the state budgetary appropriation will be and plan accordingly. We heard from the state colleges yesterday that they, too, were identifying potential vertical impacts or cuts or reductions to make in terms of ensuring excellence in their programs otherwise and while keeping a close eye on those affordability issues. I think it's such a delicate balance because we don't want to cause unnecessary fear amongst the students and faculty who are critical components of your mission, but can you talk or maybe share in slightly more detail with this committee and the public about the real impacts that our decisions will have in terms of the reactions you'll have to make in the short-term at the university system. [AGENCY 51]

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J.B. MILLIKEN: Well, each of our campuses, as I mentioned before, in response to Senator Nordquist, is going through an exercise now. In fact, Chancellor Perlman is talking to the faculty senate at UNL as we speak about a targeted reduction amount to be...to...they aren't beginning but to continue the analysis of what the...what areas of reduction would be. You know, I try to do this just in a broad way with, you know, if you took a proportionate reduction in personnel based on the...that proportion of our total budget and with the 1.5 percent increase that was a preliminary view, I guess, by this committee, that would leave us about \$45 million short over the biennium in those, what I consider the mandatory items in the budget request, and that would be, based on our average salaries across the four campuses, about 600 jobs that would be lost. Now that didn't assume a tuition increase and, obviously, at the end of the day the numbers are going to be different based on which programs are eliminated and where the reductions are made. But I do think that it's important, on each of our campuses, they need to involve the faculty and the staff and the students in this process. But at the end of the day they need to analyze, beginning with their mission, what are they providing that others aren't providing; where are they having the greatest impact in terms of graduation, credit hours produced; what isn't being offered elsewhere; what ways can they reduce the investments, the costs of business. I mean if you take the example, the student information system, you know, this was not a simple task to move along a seven-campus proposal, because I can tell you, I agree with the people on those campuses that all things being equal, it'd sure be more desirable to have your own and to not have to worry about those six others and negotiate definitions and processes and which degree audit program you want versus what somebody else wants. But at the end of the day this, to me, is the kind of thing that we have to do more of because it takes more money out of the cost areas that are not the things that distinguish our campuses. I mean people don't advertise for new students in recruitment trips based on their student information system. They don't do it based on their IT system, their telecommunications system, who's providing the laundry service. I mean you can look at a whole range of different kind of support systems that are in place and this, I think, provides an opportunity for us and one that we have to take advantage of to look at

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those areas where we can reduce costs that aren't directly related to teaching and research and outreach to Nebraskans. [AGENCY 51]

SENATOR NANTKES: Great. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Nordquist. [AGENCY 51]

SENATOR NORDQUIST: Yeah, thank you. Thank you again, President Milliken. I, too, agree with the comments that have been said about you guys, your efforts on strategic planning, prioritization. And also I want to acknowledge what you said about Dr. Path. I agree with him, too, that we in higher education need more collaboration, less competition. One question that...I was looking over some numbers that my staff gave me the other day and I just...kind of general on this. Looks like we spend...this is from '08, we give about \$20 million, roughly, in tuition waivers for residents and about \$26 million or so, roughly, for nonresidents. Can you kind of explain who these nonresidents are and kind of the policy that, you know, we're spending or giving about equal amounts in tuition waivers for residents and nonresidents? [AGENCY 51]

J.B. MILLIKEN: Yeah, I'd be happy to. But the first thing, if you let me back up one or two steps here, is that about three years ago we instituted a new budget allocation process at university and the main reason was that I didn't think we were placing enough premium on growth, that we weren't providing enough incentives. And again, this ties to the need to have more college-educated Nebraskans. So we did two things, essentially. One is that we rewarded growth in revenue from bringing people in, and two is you were penalized a bit by giving away too much in terms of remissions. Because before, without accountability in your remissions, one campus could remit funds and other campuses basically shared the cost of that remission. So there's more responsibility now in terms of the remissions, so that's one thing I'd say about those. Second is with regard to the out-of-state ones, the fact is that in most large research universities, to attract graduate students one of the tools there is waiving or reducing the

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out-of-state tuition component. And so to have a program where we're competitive and where we're able to attract the best and the brightest graduate students, that's a component of that. And of course, the tuition level is higher with those graduate students and that out-state component is costly. There are other programs where there are remissions involved, such as the Legacy Program where former Nebraskans who lived here, paid taxes here, went to school here, if their children come there are certain requirements in terms of how well they perform but we remit their out-of-state tuition. That's another remission cost. We have a New Nebraskan Scholarships, nonresident. One of these is at UNO where we provide remission for a significant part of the out-state tuition for three Iowa counties so that those students in Hamilton, Pottawattamie and Mills can come to the University of Nebraska and, by the way, also to the University of Nebraska-Lincoln engineering programs in Omaha and pay a rate that is roughly equivalent to their in-state tuition at Iowa, Iowa State, and Northern Iowa. So those are examples of some of them. They are, I'd like to think and I believe they are in the most case, used strategically in ways that we're able to attract talented graduate students, talented undergraduate students into Nebraska. One of the things the LR174 task force told us is that you need to recruit more out-of-state students to come to Nebraska because of the tendency for people to stay and live and work, raise families where they last went to school. And so I believe this is a great investment for Nebraska that, you know, the more we can do this, the more we can attract talented people from those three Iowa counties or the front range or other places to come here to go to school, I think it's a great thing because of the tendency, and I can give you examples of some of these students who have stayed, opened businesses, work in our communities in Nebraska. [AGENCY 51]

SENATOR NORDQUIST: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 51]

SENATOR WIGHTMAN: Thank you, President Milliken. You've done a great job of

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explaining the forward thinking at the University of Nebraska, in my opinion. I particularly applaud the Collegebound Program which has had a pretty good presence out in Lexington, Nebraska. I think it's UNK rather than UNL, but maybe there's a UNL program there too. I think the problem all of us are having on the Appropriations Committee is we don't have a very good crystal ball. We have very little idea as to where we're going with this economy and how many years it may last. What I think maybe at the beginning of this legislative session we thought might be two years looks more dubious now and might very well be three or four years. I wish we knew that. It would make it a lot easier for us to make our decisions. Just a few of the figures that you gave us in your original presentation, I think you said that after a 5 percent tuition increase you'd still have about a \$23 million shortfall in funding on salary increases and insurance. Is that approximately correct? [AGENCY 51]

J.B. MILLIKEN: Approximately. There were about four or five items I listed on that expenditure side, but yeah. [AGENCY 51]

SENATOR WIGHTMAN: Those were the two big items, though, I think. Well, you had a separate \$11 million, in my recollection, on the student information system. [AGENCY 51]

J.B. MILLIKEN: Right. That was a one-time that wouldn't have been a part of...yes, it would be a part. Let me just... [AGENCY 51]

SENATOR WIGHTMAN: Was it a part of the \$23 million? I didn't think so but. [AGENCY 51]

J.B. MILLIKEN: It's not a...no, it is not a part of...the problem is that if you add up the first year and put it in, you get \$23 million too. So this is a...it's a coincidence... [AGENCY 51]

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SENATOR WIGHTMAN: Okay. [AGENCY 51]

J.B. MILLIKEN: ...that's slowing me down a little bit but it was not part of the analysis I gave you. [AGENCY 51]

SENATOR WIGHTMAN: But the total shortfall, I gather, is about \$45 million over the two-year period. Is that (inaudible)? [AGENCY 51]

J.B. MILLIKEN: Right, and that...but that did not include any assumption for tuition. [AGENCY 51]

SENATOR WIGHTMAN: So that would come down some from that. [AGENCY 51]

J.B. MILLIKEN: If there were a tuition increase it would, that number would be reduced. [AGENCY 51]

SENATOR WIGHTMAN: Well, again, you know, it's a very difficult, balancing situation for the Appropriations Committee because we certainly don't know how long this is going to last. We got the forecast, and you're familiar with that as well as we are, that showed us being about \$373 million short, I think, at the end of the biennium based upon what our preliminary budget considerations were. And we know and I'm sure you recognize that there are a lot of items in there that are not included in that \$373 million, including some reserves that the Governor had suggested at the beginning of the session, one of them being the Beatrice situation that is large. So it really is a difficult...and I'm sure you understand that, a really difficult balancing situation and also almost requiring a crystal ball to know, because I think one of the worst things that could happen would be that we have a tax increase somewhere during the first part of this economic downturn. But I do appreciate your information. I do think the university has been forward looking and I guess we're just going to have to sort our way through it. That's why we're getting the big bucks, I guess. Thank you. [AGENCY 51]

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J.B. MILLIKEN: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Are there any other questions? Senator Nelson. [AGENCY 51]

SENATOR NELSON: Thank you, Senator. Thank you, President Milliken, for coming in. It's always hard to follow Senator Harms. I mean he always takes...his questions take such a broad, futuristic, strategic sort of plan that I hate to come down to, you know, some kind of mundane questions here. But yesterday I asked the state college chancellor president. They charge by the credit hour for their tuition. Does the university do the same thing? [AGENCY 51]

J.B. MILLIKEN: Yes, it does. [AGENCY 51]

SENATOR NELSON: Okay. And I think they're at \$116.5. Where are you right now and what would a 5 percent increase amount to? [AGENCY 51]

J.B. MILLIKEN: We're at many levels of tuition. [AGENCY 51]

SENATOR NELSON: Okay. [AGENCY 51]

J.B. MILLIKEN: First of all, it's different on every campus. [AGENCY 51]

SENATOR NELSON: All right. [AGENCY 51]

J.B. MILLIKEN: The highest level of undergraduate tuition at the university is about \$225 a credit hour and that's nursing undergraduate. That would be the most expensive single one and then it drops down from there. Generally, UNL's tuition credits would be next and then UNO's, and UNK's would be the closest to the state college number. But

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they're in that range, about \$50 less, I guess, for UNL than the Medical Center's.
[AGENCY 51]

SENATOR NELSON: All right. So you've got that range... [AGENCY 51]

J.B. MILLIKEN: But if you took the highest one, it would be \$225 a credit hour.
[AGENCY 51]

SENATOR NELSON: And the lowest would be? [AGENCY 51]

J.B. MILLIKEN: Oh, gosh, I'm going to say about \$125 a credit hour, but that's...
[AGENCY 51]

SENATOR NELSON: Okay. [AGENCY 51]

J.B. MILLIKEN: ...I'd have to get you that number. [AGENCY 51]

SENATOR NELSON: Well, that's okay. That just gives me an idea. To return to the student information system, is any part of that operational right now? [AGENCY 51]

J.B. MILLIKEN: No. [AGENCY 51]

SENATOR NELSON: It's still a work in progress, so to speak. [AGENCY 51]

J.B. MILLIKEN: Absolutely. [AGENCY 51]

SENATOR NELSON: How much more now is needed to complete that? [AGENCY 51]

J.B. MILLIKEN: \$10 million. [AGENCY 51]

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SENATOR NELSON: Okay. [AGENCY 51]

J.B. MILLIKEN: That's the fixed cost. [AGENCY 51]

SENATOR NELSON: All right. [AGENCY 51]

J.B. MILLIKEN: When the NITC approved the request from both the state colleges and the university, the number estimated was about \$32 million. [AGENCY 51]

SENATOR NELSON: Uh-huh. [AGENCY 51]

J.B. MILLIKEN: Last year we brought a request to you of about \$22 million and indicated at that time that we thought that it was about \$10 million more. You appropriated \$20 million and we've invested that in hardware, software, and implementation consultant, and they are working every day of the week in a facility on O Street with...I've been there to give them doughnuts one day because there are about 80 of them from seven campuses working on this by area. One day the bursars will be there, another day the admissions people will be there, etcetera. It is a long process, takes about a year and a half to get this implemented and operational, and at some point we will run parallel systems, our existing system next to this one, until we know we can depend on the fact that we can shut one down. Since this runs everything from our recruitment to admissions to financial aid to graduation requirements and degree audits, it's sort of soup to nuts for these students. This has to be...it has to be perfect when we rely on it and switch it on and switch the old one off. [AGENCY 51]

SENATOR NELSON: And when will that be finished if you get the... [AGENCY 51]

J.B. MILLIKEN: December of 2011 is the drop-dead date on the old system, but they'll be up and operational before that. [AGENCY 51]

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SENATOR NELSON: One final question: You've got Kearney, University of Omaha, Med Center, and Lincoln. Is the budget allocated in four parts? I mean does each one of those have a certain restriction or amount available to them for their own budget, or can you even break it down that way? [AGENCY 51]

J.B. MILLIKEN: If I understand the question, Senator, I'll try this. Traditionally, the Legislature's appropriation to the university is in a lump sum and our request is in a lump sum. It reflects expenditures and needs for each campus that are then melded together in this request, and then an allocation is made by my office, approved by the Board of Regents after the budget is set. So each campus generally can look at this budget and determine what the increase level would be. As I mentioned before, there's some differences in, for instance, in salaries. Now in the past two biennia you have appropriated enough and we have set a salary increase level that has been essentially based on the two bargaining units so that then we have set a salary pool for the Lincoln campus and the Medical Center at that rate. I'd have to tell you that in the district in which you live and the campus that you represent, I'm not sure how this is going to play out. First of all, we haven't decided whether to appeal their decision, we have till March 15, on the faculty salaries. But second, you know, I am not...I'm not at all sure that we're going to have an appropriation that will allow us to set the salary level at a...that would be equivalent to that bargaining unit's requirement, 3.8 percent a year. So the impact on UNO of a budget decision here could be greater. [AGENCY 51]

SENATOR NELSON: All right. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: You had talked about the SIS system just a little bit. How old is the system that we're replacing? [AGENCY 51]

J.B. MILLIKEN: How old? [AGENCY 51]

SENATOR HEIDEMANN: Yeah. [AGENCY 51]

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J.B. MILLIKEN: You know, it's hard to say how old is the system because it's a bunch of systems. And first of all, even leaving aside the state colleges, you take ours, there's a core system that was provided by a company called SCT but it was used to differing degrees on different campuses. I'm not sure the Medical Center used it much at all. Lincoln campus built a set of...with new software and writing their own code, built a whole amalgam of systems. So about...I'm going to say it's over ten years old, the SCT product, but some of this other was customized systems. And the reason that we really had a kind of deadline to make a decision and came to you last year was because the company that supports the core products of our system is not going to support those anymore, I said 2011, it's 2010, is not going to support them beyond that point.

[AGENCY 51]

SENATOR HEIDEMANN: Just a general ballpark figure, could you... [AGENCY 51]

J.B. MILLIKEN: So I'd say ten years, if you want to know how long I think this one is going to last. [AGENCY 51]

SENATOR HEIDEMANN: Okay. Do you have any ballpark figure what that system cost and how much the state put in at that time? [AGENCY 51]

J.B. MILLIKEN: Oh, I could not...I couldn't tell you. I could try to get you that information but, as I said, it was built...it was built over a period of years with different pieces. I mean some campuses bought pieces of this system within the last couple of years, smaller components of it. A degree audit system, for instance, becomes a part of the overall system. But if we were to replace that system in the way that we did that one, I think the costs would be considerably higher than the cost of coming to you for one system across seven campuses. And I know that it will be less expensive over the lifetime of the system when we're going in to address patches and modifications and upgrades for a common system. [AGENCY 51]

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SENATOR HEIDEMANN: Do you know, did the state put in money to help defray the cost of that system or the parts of the system when it was going in? [AGENCY 51]

J.B. MILLIKEN: I don't know. I'd have to find out. This is history that predates me, I think. [AGENCY 51]

SENATOR HEIDEMANN: All right. [AGENCY 51]

J.B. MILLIKEN: But I'll be happy to look into that. [AGENCY 51]

SENATOR HEIDEMANN: Thank you. Are there any other questions? Seeing none, thank you. [AGENCY 51]

J.B. MILLIKEN: Thank you very much. [AGENCY 51]

SENATOR HEIDEMANN: Welcome. [AGENCY 51]

MIKE JACOBSON: Thank you. Well, Senator Heidemann and members of the Appropriations Committee, I will be brief. And even though Senator Hansen is not here, I'm sure he left because he thought I wouldn't be brief. But trust me, I will be. I appreciate the time to come before you this afternoon. I know it's been a long day for you. I'm here really as president of Ag Builders of Nebraska. I serve... [AGENCY 51]

SENATOR HEIDEMANN: Could you say and spell your name for us, please? [AGENCY 51]

MIKE JACOBSON: Yes. Mike Jacobson, J-a-c-o-b-s-o-n, and I'm president of Ag Builders of Nebraska. I also serve as chairman-elect of the Nebraska Bankers Association, and I'm president of Nebraskaland National Bank in North Platte. I'm here

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to speak to you today, however, in my capacity as president of Ag Builders. It's been interesting, as I look at the dilemma that each of you are faced with in terms of the current budget shortfalls and what we're hearing in terms of what revenue forecasts will end up being. I think you got the notice about what the revenue forecasts would be about the same time bankers across the country heard from the FDIC last Friday, indicating that they want to do a 20-basis-point special assessment to rebuild the FDIC Fund. That 20 basis points is on top of the 14...or 12 to 16 basis points that each bank will be paying. Put that into numbers: \$100 million bank will pay a \$200,000 special assessment. So in our case, we're a \$230 million bank so we'll be somewhere around \$360,000 additional funding on top of the regular costs for the FDIC Fund, and they caveated that by saying there may be a need to raise another 10 basis points at the end of the third quarter. So I can appreciate some of what you're looking at right now because I'm going through some of that same math. With that said I can tell you that, as I look at our budget, I recognize, as Senator Harms had alluded to, that this is an economy, a very difficult economy we're in right now, but in spite of all the pessimism we all know, as sure as we're sitting here, that we will get through this and the economy will turn and when it does there will be great opportunities along the way. And the focus that all of us have to look at today is, how do we prepare for...how do we (A) get through it and (B) how do we prepare for capitalizing on what happens on the back end? When I start looking at the allocations of funding that I'm going to do within the bank, I always like to focus first at the low-hanging fruit. I look at the things that I've got the greatest competitive advantage in and try to capitalize on that and then move up the tree as funding is available. When I look at the university and when I look at the Institute of Agriculture and Natural Resources and when I look at the Legislature's needs, we look across Nebraska and Nebraska doesn't have a lot of sunshine, you know, 365 days a year that are going to keep people here to winter in Nebraska. We don't have the coal reserves that Wyoming has and so what we do have, however, is we do have the Ogallala Aquifer and we do have a great vast area of agriculture. We have livestock feeding, we have ethanol, and we have a lot of resources that are natural to Nebraska that fits what we do, and I consider that the low-hanging fruit here in Nebraska. And I

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can tell you that the research that the university has done has been very instrumental in helping move our agricultural economy forward. When I look at ethanol alone, I can tell you that ethanol, we have the second largest number of ethanol plants in Nebraska. Even though some of those plants aren't operating today, I can tell you that when you make \$100 million to \$150 million investment in a plant that you're going to still accrue property taxes and you're not going to tear them down. What we don't know is who is going to ultimately own them. I would tell you some of the money going into the FDIC Fund is probably going to ultimately pay for some of those ethanol plants because obviously it may not be the first owner, it may not be the second owner, but there will be an owner on those ethanol plants and they will operate. And so the fact that they're located here in Nebraska, they will be located here for keeps. One of the things that we can do to make those ethanol plants more efficient and operate faster and ensure that they're going to stay here is to continue in the research to figure out how to better utilize what now is perceived to be a by-product from the ethanol production itself. I would tell you there are producers out there today that argue that the ethanol plants really are feed mills with the by-product being ethanol. When we look at what's happened and how ethanol really got its push in livestock feeding, it started at the University of Nebraska Animal Science Department, and that's where Terry Klopfenstein spent a lot of research in figuring out how we could get distiller's grains more integrated into livestock feeding diets. Today, if you talk to most cattle feeders, they will tell you that clearly distiller's grain is the choice of a protein source for those rations. I would also tell you, speaking of animal science, is that you look at the meat research that's been done in terms of creating a flat iron steak. That's taking a nonprimal cut, developing into a low-cost steak, and being able to add value to that carcass--something that's vitally important to the beef industry today in all facets. I would also tell you that when you look at the research that's been done from the crop science side, the first work on Roundup-ready corn and soybeans was done at the University of Nebraska and they were very instrumental in developing that first genetic to allow those products to be developed. But not only are we relying just on the university and the institute to do the research and the front-end research but it's a collaborative research. And I know J.B.

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spoke of the water research being done. And I know, Senator Wightman, in Dawson County we have Monsanto, who opened their learning center there south of Gothenburg. Interesting at that ribbon cutting is we had the scientists and the folks from West Central Station in North Platte collaborating with those individuals even the day of the ribbon cutting and there was talk back and forth in terms of how they're going to work together. So we're going to take private funding from Monsanto, couple it up with our extension center in North Platte, and figure out how we can do more to create water efficient...more efficient corn. When we look in the Republican River Valley and we recognize the risks that we have out there of irrigated acres going to dryland, this research will be critically important to sustaining the agricultural operations there and creating additional tax receipts for the state of Nebraska. So I would tell you that the low-hanging fruit continues to be agriculture, and I think when J.B. made the comments, and I know Senator Harms raised the questions with regard to Innovation Campus, I would tell you that we're very excited about Innovation Campus. And I agree with the discussions that were had with regard to how a land grant university and the state's university, operating together as one university, can serve both constituents. And certainly through the institute there is a lot of practical research being done, but to the extent that we can bring in researchers who are going to be working on cutting-edge technology, new findings, and having those people on one campus where those two groups, through the ARS and through others that are located in that facility, can collaborate together. What we find and what we found historically is that you can take those individuals who are into looking at new science and if you can have them talking to people on the practical side about how they might be able to use that new science, that's how we can move forward and be able together to make that benefit the state of Nebraska above and beyond the jobs that it creates, but it will help us to better utilize that in our existing agricultural base. So we're very excited about what will happen in Innovation Campus. We think that's a great move and I think there will be a lot of value to the state as a whole when that happens. So with that said, I just want to...I'll stop. I see Senator Hansen is here and I think he was timing me outside. So I will tell you that I appreciate your support of the university, would encourage you to do everything you

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can to get behind the university budget and do all you can to support it. Certainly the institute relies on the appropriations from the Legislature to ultimately get down to the institute. And we're certainly cognizant of the challenges that you have. I certainly share those but would ask you to do all you can. [AGENCY 51]

SENATOR NANTKES: Thank you. Thank you, Mr. Jacobson. It's always a pleasure, Mike, if I may. [AGENCY 51]

MIKE JACOBSON: Yeah. (Laugh) [AGENCY 51]

SENATOR NANTKES: You obviously have deep roots in Nebraska and Nebraska's economy from a variety of different perspectives, and I thank you, number one, for being here in support of this budget, but I guess I want to ask a fairly pointed question. In terms of your experience/knowledge in regards to agriculture, economics, and investment in general, can you think of a better investment the state of Nebraska can make than in the University of Nebraska in regards to the return on the state taxpayer dollar, the benefits for the future or otherwise? [AGENCY 51]

MIKE JACOBSON: Well, I probably need to technically answer that by putting it in an FDIC-insured deposit would be the best investment. (Laughter) But second to that, second to that... [AGENCY 51]

SENATOR NANTKES: Right. [AGENCY 51]

MIKE JACOBSON: ...I would tell you that the Battelle Study a few years ago... [AGENCY 51]

SENATOR NANTKES: Yes. [AGENCY 51]

MIKE JACOBSON: ...that was commissioned by the institute... [AGENCY 51]

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SENATOR NANTKES: About a 15 to 1 return? [AGENCY 51]

MIKE JACOBSON: ...showed a 15 to 1 return. I think that, in itself, really answers a question that it's very difficult, I think, to find a better investment when you look at the state that we're in. And I can tell you that from my perspective, I've watched J.B.'s commitment to agriculture since he's been here, the tough decisions he's had to make to be able to do the allocations, but I can tell you that there is a good relationship between the institute and the administration with regard to understanding those challenges. And we will continue to work with them as we look at those challenges going forward, just as we will with the Legislature, because we're very cognizant of the challenges you have as well. [AGENCY 51]

SENATOR NANTKES: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 51]

SENATOR HANSEN: Thank you. Mr. Jacobson, it's good to see you. I was just called out, just as President Milliken started to ask for questions, to go introduce a bill that had to do with two nonpublic entities on the State Fairgrounds. I don't know if that was coincidence or what. Do you have any suggestions how two nonpublic entities could be reimbursed for buildings on the State Fairgrounds before it becomes Innovation Park? Would you like to buy a beef pit? (Laughter) [AGENCY 51]

SENATOR NANTKES: That's the third best investment. [AGENCY 51]

SENATOR HANSEN: That's a third...(laugh). [AGENCY 51]

MIKE JACOBSON: It's in that top five at least. [AGENCY 51]

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SENATOR HANSEN: No, that's where I've been. Sorry I missed your testimony today. We'll catch up sometime. [AGENCY 51]

MIKE JACOBSON: I warned them that you'd heard me speak before and that's why you chose to be gone, so. [AGENCY 51]

SENATOR HANSEN: (Laugh) Thank you for coming. [AGENCY 51]

MIKE JACOBSON: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 51]

SENATOR WIGHTMAN: Thank you, Mr. Jacobson. You're an excellent advocate for agriculture in Nebraska. And I was out at the opening of the Monsanto and think it... [AGENCY 51]

MIKE JACOBSON: I remember seeing you there. [AGENCY 51]

SENATOR WIGHTMAN: ...I do think it holds great promise for Nebraska. Do you think there...I assume there are a lot of ways that we can build on these private-public partnerships and Monsanto was certainly one of them. And I listened to them talk about how they hoped to reduce water use by...they thought they could raise, I think, more corn than they're raising right now per acre on half the water within, what, the next 10-15 years. I can't remember. [AGENCY 51]

MIKE JACOBSON: Somewhere in that range, and I think when you couple that with the fact that in the next 40 years the world demand for food will double, think about what that means for Nebraska, if we can raise the production levels of corn, couple that with the significance of livestock production in this state, what that will mean for tax revenues in the state of Nebraska and the benefits to the state of Nebraska. [AGENCY 51]

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SENATOR WIGHTMAN: And I agree with both you and President Milliken that it is important that we move forward. And I applaud both of you for being here, but they are tough choices, and I think you understand that, as to exactly how we spread what available resources there are. Thank you. [AGENCY 51]

MIKE JACOBSON: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for testifying today. [AGENCY 51]

MIKE JACOBSON: Thanks a lot. [AGENCY 51]

SENATOR HEIDEMANN: Welcome. [AGENCY 51]

BEN STEFFEN: (Exhibit 8) Good afternoon. My name is Ben Steffen, S-t-e-f-f-e-n. I operate a farm and dairy at Humboldt, Nebraska. Like Mike Jacobson, I serve on the board of directors of Ag Builders of Nebraska, but I am here today representing the Nebraska Association of County Extension Boards. I have twice served terms as president and currently sit on the executive board of this organization. The Nebraska Association of County Extension Boards represents the 71 extension boards that serve every county in Nebraska. Local extension board members are appointed by county commissioners and are charged with the responsibility of working with the local community and the University of Nebraska to bring local input to the extension program and to the university. Today I offer the support of our organization for the University of Nebraska budget. I would like to make three points. First, we thank the Appropriations Committee for your commitment, your hard work, and your leadership. Thank you for your efforts in preserving higher education and the University of Nebraska during this challenging time. Secondly, we would highlight the value Nebraskans across the state place on the impact of the university of Nebraska Extension and the Institute of Ag and

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Natural Resources. For example, the 4-H Program impacts one out of three age-eligible youth with curriculum aimed squarely at preparing them for the twenty-first century workplace with science, engineering, and technology skills. The Foods and Nutrition Education Program trains limited resource families in how best to stretch their budget and serve healthy, nutritious meals. The Crop Management Diagnostic Clinics deliver the latest research and education in crop production to producers and industry leaders. Participants have reported an impact of \$65.2 million in savings. Extension has partnered with Nebraska Association of County Officials to offer leadership training for county commissioners and supervisors. Extension is interconnected with teaching and research in the land grant mission of the institute. If extension effectiveness is reduced, so is that of teaching and research. A recent study by the Battelle organization found that there's a \$15 return for every \$1 invested in the Institute of Ag and Natural Resources. This list could go on. Finally, we would ask this committee and members of the Legislature assist us as we look to ensure that the Institute of Agriculture and Natural Resources and extension are treated fairly in the university's budgeting process. I noted with interest Regent Schroeder's reference to the university's presence in every Nebraska county and I would point out the fact that that presence is largely, in fact, the presence of extension, and I'm pleased that Regent Schroeder thought that was important to mention to you. I'm also pleased to note that in terms of student enrollment and the importance of growing enrollment and rewarding that growth within the university system, the Institute of Ag and Natural Resources has led for at least two years this University of Nebraska-Lincoln campus both in terms of percentage of growth of student enrollment and in terms of outright numbers growth. Great emphasis has been placed on the idea that basic research in the laboratory will provide the innovations for the future of this state. I'm pleased to note that the Institute of Ag and Natural Resources leads the university in grants for research and, of that, extension brings in nearly \$15 million annually--the third largest percentage of all grants brought in at UNL. But please remember that innovations and progress arrive most quickly when the research in the lab is connected to the real world. In fact, the applied research and teaching in extension and the institute does just that--tying real-world conditions and

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problems in communities and the industries to the latest knowledge. For most Nebraskans, extension from the Institute of Agriculture and Natural Resources is the conduit through which the University of Nebraska impacts our families, communities, small businesses, and industries. As important as agriculture is to the state's economy, the argument could be made that less than proportional cuts should be made to extension and the Institute of Ag and Natural Resources because it is basically the sole source provider of support to the state's leading industry. However, we expect extension and the Institute of Agriculture and Natural Resources to shoulder a fair share of the challenges that lie ahead and we look forward to articulating the value of the teaching, research, and extension within the institute. Thank you again for your leadership and your service. [AGENCY 51]

SENATOR HEIDEMANN: Are there any questions? [AGENCY 51]

BEN STEFFEN: I do have some copies of my testimony, if you'd like to pass those out. [AGENCY 51]

SENATOR HEIDEMANN: We've heard about vertical cuts. Does that make you nervous when you think about IANR and extension service? [AGENCY 51]

BEN STEFFEN: I think that extension is always vulnerable because, in large part, the faculty of the University of Nebraska that are in extension are not tenured and that is a critical note, a critical point that makes extension an easy target. The idea of vertical cuts concerns me greatly. I think that that is a very dangerous concept with regard to the importance of Institute of Ag and Natural Resources and Cooperative Extension. [AGENCY 51]

SENATOR HEIDEMANN: Thank you. I think the...oh, Senator Hansen. [AGENCY 51]

SENATOR HANSEN: I have one quick question about county extension offices.

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[AGENCY 51]

BEN STEFFEN: Uh-huh. [AGENCY 51]

SENATOR HANSEN: We have 93 counties. How many extension offices are there?
[AGENCY 51]

BEN STEFFEN: We have 71, we have 71 extension boards. Some of those extension boards serve more than one county. [AGENCY 51]

SENATOR HANSEN: Yes. [AGENCY 51]

BEN STEFFEN: Okay. So I'm not sure that I can tell you precisely that we have an office in every single county. I believe that that may be the case. [AGENCY 51]

SENATOR HANSEN: I would think in a little more... [AGENCY 51]

BEN STEFFEN: In fact, I think we do, in fact, have an office in every county. [AGENCY 51]

SENATOR HANSEN: Okay. Okay. I would question that because I'm from Lincoln County and it seemed like we have a couple other counties in with us, which is fine, which is great. But in this world of technology, you know, and the world is supposed to be flat, it seemed like that would be one place to get leaner, meaner and stronger, is to consolidate some of those offices. [AGENCY 51]

BEN STEFFEN: And I appreciate that. In fact, in the last number of years, under the leadership of Dean Elbert Dickey, the dean of extension, extension has changed its model and in fact what they have determined is that extension needs a local presence particularly in the areas of 4-H and youth programming. There's no substitute for

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engagement in the local community at the ground level with volunteers and youth. In the area of youth programming, it's simply critical. And so that area right there is the very first reason why that local presence is in every county. And beyond that, extension educators are no longer looked at as the be-all, end-all of knowledge for every single topic you can think of and they have moved to a model of having extension educators with a defined area of expertise and a reputation for success and leadership in those fields. And people that might have inquiries along other subject lines that might come into any particular local office might be...their question might be assessed and then directed to someone perhaps in another county, perhaps at a district center, perhaps on campus to address their need. [AGENCY 51]

SENATOR HANSEN: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Nelson. [AGENCY 51]

SENATOR NELSON: Thank you for coming and testifying. I think I missed the figure that you gave as far as the impact on rural youth by 4-H. Was it a third, did you say? [AGENCY 51]

BEN STEFFEN: One in three age-eligible youth. [AGENCY 51]

SENATOR NELSON: Okay, are impacted by 4-H. [AGENCY 51]

BEN STEFFEN: That's correct. [AGENCY 51]

SENATOR NELSON: Thank you. [AGENCY 51]

BEN STEFFEN: Yeah. [AGENCY 51]

SENATOR HEIDEMANN: Seeing no further questions, thanks for coming in today.

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[AGENCY 51]

BEN STEFFEN: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 51? Seeing none, we will close up the public hearing on Agency 51 and we are done for the day.

[AGENCY 51]