

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Appropriations Committee
March 03, 2009

[AGENCY 47]

ROD BATES: (Exhibit 7) Senator Harms and members of the Appropriations Committee, my name is Rod Bates. I'm secretary of the Nebraska Educational Telecommunications Commission and the general manager of the statewide radio television network. I want to thank members of the Appropriations Committee for your ongoing support of NET. I believe this statewide resource is one of the most important institutions in the state that brings us all together. I'm especially grateful for the state funding that allowed us to complete the federal mandate to convert from analog television to digital. We completed that task just a couple of weeks ago on February 17. The year after the Governor and the Legislature approved funding for this conversion we began one of the most serious financial challenges in our 50-year history. We experienced significant reductions in funding from the state of Nebraska, the University of Nebraska, but in addition revenue from multimedia sales, contracted services, production grants, donor support, all of them declined or failed to meet our budget projections at a time when our fixed costs continued to rise. My fear at the time was that the state would rescind the funding necessary to meet that federal mandate. But I was told that the funding would be secure for the infrastructure conversion. It was considered to be an investment in the future of NET. However, our annual operating funds would have to be reduced. So for the following four years NET implemented \$8.4 million in cuts to its operation. These cuts affected all departments and resulted in the elimination of many valued programs that served the educational community and the citizens of the state. Over 100 positions in the organization were eliminated. Today I'm pleased to report that Nebraska has successfully completed the conversion from analog to digital on time and within our budgeted projections. And for the first time in our 55-year history we no longer an analog service. We're digital only. The debt on the conversion will be paid in full in 2010. NET's infrastructure has never been better. We now operate what is essentially a statewide wireless broadband network. It's capable of transmitting text, graphics, audio files, video files, radio and television programs. While we should all take enormous pride in this accomplishment, the people we serve are not

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passionate about the towers, the transmitters, the fiber, or the coaxial cable. What they care about most is the content that is distributed to them over this network. I would like to ask you to consider a commitment to gradually rebuild our capacity to produce or acquire the right to the content that educates our learners, engages your constituents, and inspires our citizens. We're rapidly becoming the last locally owned and operated media serving Nebraskans. We continue to tell Nebraska stories that no one else provides. This new digital technology is also transforming the way we use media. Word broadcasting has its origins in agriculture. The sower on top of this Capitol is broadcasting seed. Broadcasting has historically been a push technology. In other words, we push content out to our citizens. If you wanted to watch Sesame Street or coverage of the Legislature, we broadcast it to the public and they have to tune in at the appointed time if they want to receive the service. Videotape recorders allow the public to record the content and watch it whenever they wanted. Digital technology is changing the way we use media even more significantly. Today we pull the content we want whenever we want it and on whatever device we choose. You can watch your favorite movie on an Ipod or a portable DVD player. You can TiVo your programs and tell the device to search for your favorite programs simply by typing in a key word. Teachers are using digital media to supplement their lectures in the classroom. For example, they can be teaching a unit on geography and search the Internet for a video clip of a volcano erupting and project it immediately on the wall of the classroom. We are pulling content to us on demand and on whatever electronic device we choose. NET is now uniquely positioned to develop these new programs and services to the people of Nebraska and beyond with digital technology. With that as background, I'd like to ask you to reconsider a few items we requested that do not appear in your preliminary recommendations. The first two items relate to the new demands we face with this digital equipment. Traditionally, analog equipment depreciated over a 10- to 20-year period. National studies by PBS and our own NET research show that the average useful lives of our new digital equipment and related software systems depreciate at roughly half that time. The replacement cycle for equipment is much faster. The current line item in our budget for television equipment replacement has not been increased in

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decades. If we are to maintain our current level of service, it is critical that additional funds be designated for equipment replacement. What we proposed was reallocating \$150,000 in the years of fiscal year '10 and fiscal year '11 from the savings we'll realize from the analog shutdown to specifically address this ongoing issue. We face a similar dynamic impacting public radio. Therefore, we're also asking you to reconsider our request to increase the radio equipment replacement budget by \$8,000 in fiscal '10 and \$18,000 in fiscal 2011. We request that you would consider three items that were included in the Governor's recommendations. It's anticipated that the utility costs for the Terry M. Carpenter Center Building will increase 5 percent in fiscal '10 and 3.7 percent in fiscal '11. We're requesting additional funding of \$17,000 in fiscal '11 to help address this issue. NET anticipates an increase in radio utility costs amounting to 3 percent each year and is specifically related to the electrical costs for the radio network. We ask your reconsideration of a \$2,940 increase in fiscal '10 and \$3,030 in fiscal '11. The \$13,720 modification to NET's radio budget represents a significant cut, approximately 2.6, of the overall radio budget. We'd like to have you reconsider that request. The third item supported in the Governor's budget that we would request for your reconsideration is our capital request for phase 2 of the public media project. The public media project will eventually allow NET to offer content on demand to the citizens of Nebraska. It's the next generation of service I described earlier. NET is requesting \$114,000 in new capital construction funding in fiscal '10 and \$60,000 in operating costs for fiscal '11 to purchase the licensed software and storage components that will complement the communications technology redesign at the Capitol and at NET. The proposed software system includes digital rights, storage, and Web content management components which will optimize the state of Nebraska's investment in content and more effectively distribute information important to Nebraska's civically and culturally engaged individuals and organizations. Our last request is made on behalf of our citizens who live in the Mountain Time Zone. During those budget reductions I described six years ago, we reduced our television broadcast day by two hours. One hour has been restored, but citizens in the western area of the state still lose one hour of programming services. Additionally, the NET transmitters are not available during late hours for public

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safety applications, making that area of the state more vulnerable in times of emergency. We request you reconsider restoring this additional hour of service and the funding requested in fiscal '10 and '11 for this is estimated at \$30,000. I also put an attachment. I didn't want to take the time in the testimony, but we put this out every year that sort of summarizes the impact we have on the state and some of the projects we do. So with that, that concludes my testimony. I'd be happy to answer any questions.
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SENATOR HARMS: Rod, thank you very much for your testimony. Do we have any questions for Rod? Well, thank you. Would you like to close if there's no one else here?
[AGENCY 47]

ROD BATES: No. I would just reiterate. Thank you very much. We have truly one of the finest public broadcasting systems in the country, and we've never been in better shape. We just have to rebuild some of the operating and we'll be great. [AGENCY 47]

SENATOR HARMS: Okay. Thank you very much, Rod. [AGENCY 47]

ROD BATES: Thank you. [AGENCY 47]

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]