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Transcriber's Office

Education Committee
January 27, 2009

[LB103 LB283 LB299 LB340]

The Committee on Education met at 1:30 p.m. on Tuesday, January 27, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB340, LB283, LB299, and LB103. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Brad Ashford; Bill Avery; Abbie Cornett; Robert Giese; Ken Haar; and Kate Sullivan. Senators absent: None. []

SENATOR ADAMS: I want to begin this hearing today of the Education Committee. I want to welcome everyone who is here and ask you to turn off your cell phones or turn them down so that we can all hear and the hearing is not interrupted in any way. I want to, first of all, begin by introducing members of the committee even though they may not be here. First of all, on my right, committee clerk Becki Collins. And as you come to the microphone, I'd ask that, of course, you register and give her that form, and that you speak into the mike. Be sure that you state your name and spell your name for the record so that it's clear. That will help Becki and all of us out. Next to her is Senator Brad Ashford; Senator Bob Giese; Senator Abbie Cornett will be with us in a few minutes. Next to me is Kris Valentin, our research analyst for the committee. My name is Greg Adams. Next to me is the Vice Chair of the committee, Gwen Howard; Kate Sullivan, she'll be here in just a moment; Senator Bill Avery from Lincoln; Senator Ken Haar from District 21; and Tammy Barry who is our legal counsel for the committee, and she'll be here before too long. Our two pages today are Sarah McCallister and Brennen Miller, and if you have things that you'd like to have handed out, I'd ask that you hand them to the pages and they'll do that. It looks as though, based on the four bills that we have in front of us and what I see in terms of an audience, that we'll not use the light today. I would ask you, though, to keep your comments to no more than five minutes and I'll try to kind of watch that, and we should be able to move through these bills in fairly good order. Our first bill is LB340. Senator Cook, you've been patient. Thank you. []

SENATOR COOK: Thank you. Thank you, Senator Adams, members of the Education Committee. My name is Tanya Cook, that's spelled T-a-n-y-a. My last name is spelled C-o-o-k. I am a Nebraska State Senator representing Legislative District 13. Today I appear before the committee as the introducer of LB340. A little bit about the bill: LB340 calls for an independent analysis of Nebraska's community college funding formula. This bill calls for the Coordinating Commission for Postsecondary Education to evaluate the community college system in order to, first, evaluate the community college system to determine how effectively and fairly funding goes to the community colleges, and to recommend ways to promote a more efficient and effective community college system that promotes effective education and local control for Nebraska's community colleges. Nebraska deserves a community college funding formula that is equitable and efficient. Constituents across the state deserve a community college that operates under local responsive control. Community colleges statewide play a central role among businesses

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as well as social and educational institutions. They are open-access institutions serving those who are traditionally underserved and providing job-related training that provides for career advancement in areas such as nursing, which is facing crippling shortages. Effective and efficient community colleges lead to an adaptable and able Nebraska workforce. LB340 aims to ensure that the current funding formula for community colleges satisfies this goal for the health of Nebraska's economy. I thank the committee for your thoughtful attention to the bill. I expect that those testifying before the committee today will illuminate any potential inequities of the current formula. This bill does not advocate any alternative funding structure, but simply asks that an independent and thorough analysis of the current structure take place. I ask that the committee advance LB340. I will try to answer any questions that you may have at this time. [LB340]

SENATOR ADAMS: Thank you, Senator Cook. Committee, let me remind you again before I open it up for questions, if you would allow me to recognize each of you so that we have into the record, for the transcriber, who is talking to the testifier. So with that, I'd open it up for questions. Senator Haar. [LB340]

SENATOR HAAR: Thank you, Chairman. Tanya, how long has the current formula been in place? [LB340]

SENATOR COOK: It's my understanding that it's just begun in the last year or two. And I've gotten some information that perhaps it's come under some criticism, and we wanted to take the opportunity to look at it fairly across the state; to look at the numbers and to compare and contrast what they really are. [LB340]

SENATOR HAAR: Okay. Thank you. [LB340]

SENATOR ADAMS Senators, anyone else? Yes, Senator Howard. [LB340]

SENATOR HOWARD: Well, I'll jump in there. Thank you. Thank you, Mr. Chairman. Senator Cook, what are you kind of envisioning? Are you looking at a study, are you looking at a...what do you have in mind in order to look at the formulas? [LB340]

SENATOR COOK: Absolutely. A study that assesses what the current funding is among the programs and administration across all of the state, all of the community colleges in the state, so that we might have a document from which to make funding decisions. [LB340]

SENATOR HOWARD: Okay, are you thinking an interim study or what kind of are you... [LB340]

SENATOR COOK: I didn't term it an interim study. Right now it's a bill for a law to

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propose the production of this data through the Postsecondary Coordinating Commission. [LB340]

SENATOR HOWARD: Okay. Was there anything in particular that precipitated the concern? [LB340]

SENATOR COOK: Well, as far as Legislative District 13 is concerned, one of the, I believe, cornerstones of the community is Metropolitan Community College, the Fort Omaha campus. And I wanted to absolutely be a part of the kind of work that they're doing, and I understood that there were some questions about the equitable distribution of funding among all of the community colleges. So rather than sort of feed into that what happened before I got here, I thought it would be a good idea to follow through with a proposal that asks that we start from a clean slate, so to speak, and to do an assessment of where the funding was for all the community colleges across the state. [LB340]

SENATOR HOWARD: Okay. Thank you. [LB340]

SENATOR COOK: Thank you. [LB340]

SENATOR ADAMS: Committee? Yes, Senator Sullivan. [LB340]

SENATOR SULLIVAN: Senator Cook, you alluded earlier, if I understood you correctly, that there was some concern about prior funding arrangements, and can you... [LB340]

SENATOR COOK: And I'm learning about the concern also, within the last couple of... [LB340]

SENATOR HOWARD: Can you elaborate on that? [LB340]

SENATOR COOK: No, I can't. Perhaps there's someone else who will testify in support of it, but from what I understand there was a proposal last year that became a law that might have caused some concern among the community colleges. And my bill proposal, in my estimation would do a study of what the funding is now so that we can move forward with a funding formula that works for all of the community colleges. [LB340]

SENATOR ADAMS: Senator Avery. [LB340]

SENATOR AVERY: Thank you, Mr. Chair. Welcome to the committee. [LB340]

SENATOR COOK: Thank you. [LB340]

SENATOR AVERY: This is your first time here. [LB340]

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SENATOR COOK: Yes, absolutely. [LB340]

SENATOR AVERY: We're easy people to get along with. Do you have any idea what kind of findings might come out of this study? Do you think that perhaps there might be a recommendation to do away with equalization? [LB340]

SENATOR COOK: I'm not certain, having not had the direct experience in analyzing what the formula says now in regards to community colleges, what we might conclude. My hope is that we have a study that we can analyze, and the bill proposal also suggests that the people doing the analysis offer a couple of recommendations based on the outcomes of the analysis. [LB340]

SENATOR AVERY: Yeah, I'm looking at the bill, and there are no instructions as to what they need to look at except how to be more effective and fair. So it is possible that the...would you agree with this, that it is possible that the study might actually recommend things that people who perhaps are seeking changes in the formula would not like? [LB340]

SENATOR COOK: Absolutely. I think any bill that's introduced before the Legislature, any legislatures, may alarm certain people based on their interests and based on their experience within the community college system and with the Education Committee. So certainly, that's a fair assessment of any bill proposal. [LB340]

SENATOR AVERY: Well, you picked a good agency to do the study. [LB340]

SENATOR COOK: Thank you. [LB340]

SENATOR ADAMS: Senators, anyone else? Senator Haar. [LB340]

SENATOR HAAR: Thank you, Senator. One final question. Is the formula then the responsibility of the Legislature or of the Coordinating Commission? [LB340]

SENATOR COOK: The responsibility to complete the study is under the auspices of the Postsecondary Coordinating Commission. [LB340]

SENATOR HAAR: Right. But then it's up to the... [LB340]

SENATOR COOK: The opportunity to use that information, of course, it comes to the body and to the committee in terms of potentially adjusting the formula the way it stands now. [LB340]

SENATOR HAAR: Okay, thanks. [LB340]

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SENATOR ADAMS: Anyone else? Senator Cook, I had a question. Would you go back to the beginning part of your remarks where you were describing...you had points about why you thought that this study was important. And the first one...excuse me, it was the second point that I didn't catch very clearly. Could you repeat that one for me? [LB340]

SENATOR COOK: Why I thought it was...? [LB340]

SENATOR ADAMS: Why we ought to do this study. [LB340]

SENATOR COOK: Well, I'll start with one point and then you tell me whether or not this is the part you're talking about please. Right. First, to evaluate the community college system to determine how to effectively and fairly fund the community colleges, and secondly, to recommend ways to promote a more efficient and effective community college system that promotes effective education and local control for Nebraska's community colleges. [LB340]

SENATOR ADAMS: All right, it was that second point that I was after. [LB340]

SENATOR COOK: It was this one. Okay. [LB340]

SENATOR ADAMS: Thank you. Can...am I being unfair to say that I sense in that statement we're not fair? [LB340]

SENATOR COOK: You wouldn't be unfair to offer whatever perspective you would have on that statement. I can offer what my intent would be in that statement. [LB340]

SENATOR ADAMS: Please. [LB340]

SENATOR COOK: And that is it's pretty much on face value to get at good information, good data from which we can permit the local governing bodies among the community colleges to make the best decisions that they need to make for their students, faculty, administration, and staff, to make certain that we've got workforce development and postsecondary educational opportunities for students who aren't able to go on directly to a four-year university for whatever reason. [LB340]

SENATOR ADAMS: Okay, that's clear. Thank you. Does anyone else have a question for Senator Cook? If not, thank you. [LB340]

SENATOR COOK: Thank you very much. I'm going to waive closing to go to my other hearing, so. [LB340]

SENATOR ADAMS: All right. [LB340]

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SENATOR COOK: I appreciate your time and consideration. [LB340]

SENATOR ADAMS: Thank you. We'll now move on to proponents of the bill. [LB340]

RANDY SCHMAILZL: Good afternoon. Randy Schmailzl, interim president, Metro Community College. R-a-n-d-y S-c-h-m-a-i-l-z-l. I'd like to start this afternoon by mentioning a little past history on how we got here today. MCC supported the formula when it was rewritten two to three years ago, and that support was also with the understanding that it was a work in progress, and over time it would change to meet the needs that Metro had, in addition to the needs that the community colleges have in the system. The first year, we offered six, what we called, tweaks. And three of the tweaks were accepted and that helped in securing funding in a way that assisted...it did assist Metro Community College. The whole time though, we expressed displeasure of the outgoing years in the formula, and that's where we're at today. As recently as March 5, 2008, at the NCCA board meeting, our representative expressed concerns in talking about the formula and looking into what discussion...what way we could discuss and come to a conclusion on changes that we could look at in the future. Throughout 2008, our board has passed resolutions that indicated its desire to meet and discuss. At one point, the board of governors asked for the community college presidents to meet to discuss this formula. And so in order to make sure that there's an opportunity for us to look at the formula in a positive way, we're asking to support this bill...from the college, to support this bill, because we feel it's the only alternative that we have left in order to study the formula. We support the Coordinating Commission because of the fine work that they've done in recent studies. It certainly doesn't represent the only option on studying a formula. We note that for Metro to exist under the current formula, the college is going to have to find ways to make revenue adjustments, which will include property tax increases, and that's somewhat counter to what we believe the concept of local control is about. For the Coordinating Commission to take the responsibility to do the interim study, we support that 100 percent. Our board supports that and the college administration supports that. If it's the will of the body, if it's the will of this committee to look at some other entity, we would support that. The biggest thing is we support studying this formula. And Senator Avery, your question on the positives and the negatives that could result, that's what you risk when you go into a study. You risk the positives and the negatives. And so we're willing to look at the efficiency. And for Metro, it's our belief that Metro Community College has morphed further than most of the other community colleges in the state in terms of comprehensive providing of education, in terms of developmental education, academic transfer education, and vocational education. And so the formula's design supports most of that mission but not all the mission. [LB340]

SENATOR ADAMS: Any other comments Randy? [LB340]

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RANDY SCHMAILZL: No. No, sir. [LB340]

SENATOR ADAMS: All right. Senators? Senator Avery. [LB340]

SENATOR AVERY: Thank you, Mr. Chair. President Schmailzl, right? Schmailzl? [LB340]

RANDY SCHMAILZL: Yes. [LB340]

SENATOR AVERY: You would be--let me ask you this--would you be willing to live with whatever conclusions and findings and recommendations that come out of this study, and put to rest any more interest in changing the formula? [LB340]

RANDY SCHMAILZL: That would be a great outcome. Yes. [LB340]

SENATOR AVERY: That's not exactly the question. Would you be willing to accept the findings of this study as a definitive statement as to what we ought to do and ought not to do with the formula? [LB340]

RANDY SCHMAILZL: That's the direction of our board, their request. And yes, as an administrator supporting the board, yes. [LB340]

SENATOR AVERY: Okay. I wanted that on the record. Thank you. [LB340]

SENATOR ADAMS: Are there other questions? Senator Ashford. [LB340]

SENATOR ASHFORD: Go ahead, Senator Giese. [LB340]

SENATOR GIESE: Thank you. President Schmailzl, can you tell me what changed in the last...since your original...the plan, I guess? What has changed that makes you want to see this study done? [LB340]

RANDY SCHMAILZL: This year the formula moves to a revenue-sharing system, so it's a change from our current formula year. And it also involves more reliance on reimbursable educational units which we believe needs to be looked at and studied if they're going to be used for a heavier funding mechanism. So that would be the two most important areas of concern: the revenue-sharing and the REU and how it evaluates classes for reimbursement. [LB340]

SENATOR GIESE: And these were some of your initial concerns, you said two years ago... [LB340]

RANDY SCHMAILZL: Yes. [LB340]

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SENATOR GIESE: ...that were not approved? [LB340]

RANDY SCHMAILZL: Not discussed or addressed. They were going to let the formula...the rationale was to let the formula work, and as we watched the formula through modeling the numbers, it's apparent that we're wanting to discuss change before the numbers go into effect for '10. [LB340]

SENATOR GIESE: Thank you. [LB340]

SENATOR ADAMS: Senator Ashford. [LB340]

SENATOR ASHFORD: Thank you, Mr. Chairman. Randy, you've got a tough job. I know it's tough to get up here and try to explain something like this when we're in a mess in the community college system right now. I mean, I can't tell you how disturbing it is for me that we're where we're at, so. And that's not a reflection on you because I think you're doing a great job in trying to guide this system. And we need to find a way out of this, is my...would be my hope. And we have time. It's only January. So but...is it so much the formula or is it really...the genius of the formula, I think, that Senator Raikes put together was that it was designed to take into consideration a number of factors that go into the cost of education on the community college level, as well as the growth of community college education looking forward into the next five to ten years. I mean, I think that's the genius of the formula. I mean, to really look at costs and to look at, you know, what are the needs as community college education changes. What would be a fair...would be that a fair general comment? [LB340]

RANDY SCHMAILZL: That would be a fair assessment, yes. [LB340]

SENATOR ASHFORD: And that what we're really trying to do here...and obviously MCC has some issues with the REUs and some other issues. Would it be...it would be fair to say that MCC would like to evaluate or have those particular formula factors evaluated in the context of where MCC sees itself going over the next several years. [LB340]

RANDY SCHMAILZL: That is correct. [LB340]

SENATOR ASHFORD: And maybe that...it doesn't take a study so much as it takes, you know, sitting down with your colleagues and at least trying to do that and really look at the formula realistically and in as unbiased a way as you can, to try to see where does Metro want to be, where does Southeast want to be five years from now, and how do we...does the formula need to be changed to reflect that. Because a formula is only as good as the reality of the situation or the context of the situation. That's a general point, but would you agree with that? [LB340]

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RANDY SCHMAILZL: I would agree with that. [LB340]

SENATOR ASHFORD: I mean, I have...studying it is great, but the formula has only been in effect for realistically for a...not even...well, I guess a year or two. I mean it's been... [LB340]

RANDY SCHMAILZL: Two years. Yeah. [LB340]

SENATOR ASHFORD: Two years really. Two fiscal years or so. Would it be too presumptuous to suggest--and I know you're good at this--to suggest working with your colleagues in the next two to three or four weeks to see if you can just dig down on those issues and then see if...and bring back to the committee some way of looking at the problem that reflects some of your concerns. Is that something you can be encouraged to do? [LB340]

RANDY SCHMAILZL: I can be encouraged, the college can be encouraged, but I'm not sure, you know, if the rest of the community colleges can be encouraged enough to do that. [LB340]

SENATOR ASHFORD: Well, assuming...I mean, everybody would have to agree to...but it would be one of these things where they all have to agree to do it. I'm not being flip. I mean,... [LB340]

RANDY SCHMAILZL: No, no. I don't want to be flip either, because that's been part of the struggle over the last six months is to try to get people together, the community colleges together to talk about this. [LB340]

SENATOR ASHFORD: Well, I just think for the good of the order here that if you use your good offices, and I know your bent is towards trying to collaborate and make these things work. If there's a way you could encourage that, I certainly would encourage you to do that. That's all I have. [LB340]

SENATOR ADAMS Anyone else? Senator Haar. [LB340]

SENATOR HAAR: Yes, thanks, Senator. One of my interesting life experiences was to be trained in mediation, and then I mediated at Small Claims Court in Lincoln--and some interesting stories. But, you know, we try to mediate, but the other option was, if you couldn't make something happen then they went back to the judge. So I almost feel like a situation like that where we're asking, you know, is it possible to mediate any further or to talk any further, or do we go back to the judge? And what's your opinion? [LB340]

RANDY SCHMAILZL: I can only speak from Metro's perspective... [LB340]

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SENATOR HAAR: Sure, sure. You bet. [LB340]

RANDY SCHMAILZL: And Metro is willing to mediate and that's why we support someone, the Coordinating Commission, helping us, or if we can get back to one-on-one mediation that would be an option also. [LB340]

SENATOR HAAR: No, I'm not suggesting I'd mediate this. (Laugh). But we noticed that there is an A bill with this, you know, a cost of \$100,000. And if there's any other way to solve it...actually when people went back to the judge, they usually got a worse deal than when they mediated. (Laught) And so thank you very much. [LB340]

SENATOR ADAMS: Anyone else? Randy, I have a question and I have yet to determine exactly how to phrase it. If we were to do a study--if we were to do one...and this carries a mighty big price tag--is the end result of that study, from Metro's point of view, going to be anything shy of going completely away from equalization? I mean, in other words...let me rephrase it. We could spend \$100,000 or whatever this may be, and the study comes out and the study says, well, based on a formula, equalization is still the way to go; this maybe needs to be changed and this maybe needs to be changed. Do you sense that Metro is going to respect that, or is the deal off because ultimately what we're talking about at this end of things, the legislative end of things, is distributing the money on an equalization basis. [LB340]

RANDY SCHMAILZL: Well, if the equalization question needs to be answered, you know, before we do this, then I'll get us a definitive answer on this. I can tell you that it's been Metro's desire to be rewarded for educating students. And when you say that, the word equalization doesn't always enter into, you know, the answer. So before I'd answer that... [LB340]

SENATOR ADAMS: And I will tell you, quite candidly, some of the correspondence I have been getting indicates that there is no desire to do anything less than completely blow up an equalization concept. [LB340]

RANDY SCHMAILZL: Well, then my answer matches up to your correspondence I think, right? I mean... [LB340]

SENATOR ADAMS: Okay. [LB340]

RANDY SCHMAILZL: ...I don't want to speak out of context of the direction of our board... [LB340]

SENATOR ADAMS: I understand that. [LB340]

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RANDY SCHMAILZL: ...because they've taken the direction to oppose the current formula. And it does have to do with equalization, though. [LB340]

SENATOR ADAMS: Okay. Thank you for your candor. Senator Ashford. [LB340]

SENATOR ASHFORD: I could, and again, Randy, I'm not going to put you in a position to speak outside of your portfolio and that's not my intent, and I think Senator Haar made some great points that...but it is...is it the board's position at this point of Metro that a formula that is centered upon the concept of equalization between the six campuses is unacceptable? Is that the position of the board at this point? [LB340]

RANDY SCHMAILZL: Well, it's not the sole variable that creates the opposition. It's part of it. [LB340]

SENATOR ASHFORD: Okay, but... [LB340]

RANDY SCHMAILZL: But there are so many components of the formula that make up the formula. If equalization was one that did not hurt Metro as much as they feel it does, then I think the consideration would be open towards the formula. [LB340]

SENATOR ASHFORD: And not hurting Metro essentially means that, to the board at least, is that the amount of state aid that it receives from the state would reflect your desire and the board's desire to provide quality education to your students. [LB340]

RANDY SCHMAILZL: Right. [LB340]

SENATOR ASHFORD: And if that could be done within an equalization formula, what you're telling us is it's not necessarily equalization that's so bad, it's that the way it has been changed, if you will, or whatever, that that causes you some concern. But let me just put it this way. There's \$87 million that is, I think, \$85 million, \$87 million that we appropriate to community colleges across the state. Metro gets \$23 million of that, I believe, or \$25 million or something like that. If...are we talking about the difference between \$23 million and \$28 million or the difference between \$23 million and \$50 million? I mean, is it a situation where it's going to take millions of dollars of state aid to make an equalization formula work for Metro, or are we talking about an incremental change in state dollars into the system that would more properly reach the goals that you're trying to achieve? [LB340]

RANDY SCHMAILZL: Incremental change. I mean, we fully understand the ability for the state not to be able to fund the current formula at the level of the request and subsequent years, and we also understand that the limited resources that are in place...you would think a step-by-step approach in small chunks would better serve the system to slowly absorb that money into the system. [LB340]

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SENATOR ASHFORD: Okay, and so the other point...and just to get it out here so everybody, at least what I understand the situation to be, that if we kept the--in the Metro, in the MCC view--that if we kept the formula the same way it is now and didn't change it at all, that additional state aid dollars would not necessarily rectify all of the issues that Metro has raised. [LB340]

RANDY SCHMAILZL: Well, if the formula stays the same and runs its course, then the direction that the board will undoubtedly go is to how can we maximize our revenues under the current formula? [LB340]

SENATOR ASHFORD: Right. [LB340]

RANDY SCHMAILZL: And that would lead to increased property tax for the Omaha area. [LB340]

SENATOR ASHFORD: Well, I guess, let me ask it this way, and then I will stop. I'm sorry, Mr. Chairman, but I just think it's important because this issue is out there. If...is the issue, and this is maybe a loaded...this is a softball question. Is the issue keeping the property tax rate at 6.86 percent or is the issue quality education? [LB340]

RANDY SCHMAILZL: The issue is quality education. The tax rate, although it's stayed the same for the last six years, it has not been the discussion point. The discussion point has been being rewarded for educating students. [LB340]

SENATOR ASHFORD: So if it took \$20 million, let's say, in additional state aid to keep the same formula--and this may not be the number--but the same formula, and keep your tax rate at 6.86 percent, is not really the issue. [LB340]

RANDY SCHMAILZL: No, that's not the issue. [LB340]

SENATOR ASHFORD: The issue is having the formula reflect what you believe, and the way you've described it to me in general terms is certainly those are legitimate concerns. If those concerns are addressed and the state aid goes up 3 percent, 4 percent, 5 percent, or even 1 percent this year as the Governor suggested, that that would be at least a positive kind of resolution. [LB340]

RANDY SCHMAILZL: That would be a positive, yes it would. [LB340]

SENATOR ASHFORD: Not suggesting what those changes necessarily are. [LB340]

RANDY SCHMAILZL: No. [LB340]

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SENATOR ASHFORD: Okay. So we're really talking about changing or looking at or potentially looking at making incremental changes or tweaks, if you will, in the formula as opposed...and then getting at the problem over time as opposed to making some substantial increase in state aid in order to keep property taxes low. The goal is not to keep property taxes level; the goal is to have a fair formula that the state can fund and get to your vision of quality education. [LB340]

RANDY SCHMAILZL: Right. And Senator Ashford, I'll just give you one quick example. One quick example in that would be under the current formula, if we raised tuition a million dollars for our local students, then we lose \$700,000 in state aid. [LB340]

SENATOR ASHFORD: And the reason for that is that you are spending...your revenues are going up by a million dollars. [LB340]

RANDY SCHMAILZL: Right. [LB340]

SENATOR ASHFORD: And that million dollars goes into the formula, into the calculation, and it's not so much you lose it, but you... [LB340]

RANDY SCHMAILZL: You replace it with local effort. [LB340]

SENATOR ASHFORD: You've got...yeah. So that's an issue that you'd like to look at. [LB340]

RANDY SCHMAILZL: Right. [LB340]

SENATOR ASHFORD: It doesn't seem to be so out of the question to me that you guys can't sit down--this is not a criticism--that you guys, that that's something that could be addressed in some kind of a, as Senator Haar suggested, a mediation or whatever it is. Thank you, Mr. Chairman. [LB340]

SENATOR ADAMS: Yes, Senator Avery. [LB340]

SENATOR AVERY: Thank you, Mr. Chair. Have you, any of your subordinates, or any members of your board, to your knowledge, had prior conversations with the Postsecondary Education Commission, its members or its employees about what it is that you don't like about the current funding formula? [LB340]

RANDY SCHMAILZL: I called Marshall Hill myself and made sure that he understood that this was coming forward. And I did not go into any detail about what Metro liked or disliked because I didn't figure that was a very fair thing to do on the telephone that day. So it was just a warning. [LB340]

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SENATOR AVERY: But you did let them know this request was being introduced.
[LB340]

RANDY SCHMAILZL: As a courtesy. Yes, out of professional courtesy. [LB340]

SENATOR AVERY: I believe it's very important that we have no prior assumptions on the part of the people doing the study as to what is wrong or not wrong with the current formula. [LB340]

RANDY SCHMAILZL: I wholeheartedly agree. [LB340]

SENATOR AVERY: Thank you. [LB340]

SENATOR ADAMS: Are there other questions? Hearing none, thank you, Randy. Oh, I'm sorry. Yes, Senator Giese, I'm sorry. [LB340]

SENATOR GIESE: One other question. While this bill doesn't specifically deal with the funding part for the community colleges, it's been brought to my attention that the...not necessarily the Coordinating Commission may not be the entity that should be doing the study. Can you offer any comments on that or any suggestions on who may be other?
[LB340]

RANDY SCHMAILZL: It can be anywhere from an agreed-upon third party to...I guess I'd stop at that, Senator, because I'm not an expert in who should or shouldn't study this formula. I would just hope to be able to support the effort. So, I don't think I can answer that. [LB340]

SENATOR GIESE: Thank you. [LB340]

SENATOR ADAMS: Are there any other questions? Thank you, Randy. Next proponent. Is that all the proponents? Opponents then. [LB340]

DENNIS BAACK: Senator Adams and members of the Education Committee, for the record, my name is Dennis Baack, B-a-a-c-k. I am the executive director of the Nebraska Community College Association appearing in opposition to LB340. And the reason I'm here in opposition is because, number one, the formula that we currently have--I know there's been some discussion about how long it's been in place--but if...the reality of the situation is, is that the formula is not even fully in place yet. We haven't even fully implemented yet all of the factors in the formula that was devised a couple of years ago. There was a phase-in of that formula, and we're one more year from the final step of going in, and the actual full ramifications on all of the colleges do not take place until 2010-2011. That's when the full ramifications of what this formula does takes place. That's what happens. We, you know, I was...it was interesting to listen to the discussion

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because we've had about three years' worth of study over the formula. We've been working on this as an organization for about three years. My presidents have been meeting and sometimes we're meeting more than once a month. We've used mediation services. We've done all kinds of things over this formula. It wasn't always necessarily over the same issues, but we've certainly studied the funding for community colleges very thoroughly over the last three years. And the thing that's so interesting to listen to, what the testimony has been is that, well, they'd be willing to look at some tweaking and stuff. That is not the proposal that was ever given to us by Metro. The proposal that was given to us by the Metro representatives to my board was to go back to square one and start all over and redo the formula. And quite frankly, the other five presidents are not ready to do that. The other five presidents feel very strongly that the formula that's currently in place, and when it is fully in place, will be very beneficial to them; that it's working very well. And they want to see how it works before we start talking about how we're going to make any changes in it. Now if there were some minor tweaks that we could make along the way, fine. But it's also very difficult to make tweaks until you have the formula completely in place. You need to understand that, you know, one of the...there's going to be another proposal coming in a few weeks before this committee at another hearing and that would freeze the formula in the current year. Well, that's a great deal if you happen to live in Metro Community College because the parts of the formula that help the college that is growing and doing the kinds of things that they're doing, it works very well for them. If you look at the funding for community colleges and the current year we're in, this year, right now, the whole system of community colleges gets \$3.2 million of additional funds. This year, Metro gets \$3,069,000 of that, so they get all but \$131,000. So of course you'd want to freeze it at that point. The fact of the matter is, is that the other colleges that feel that they're going to get some benefit from this formula, and the way the formula works, are going to get their benefit one and two years down the road yet. You're going to see a couple of colleges, Central Community College and Western Community College, in another year are going to actually lose some resources. Because that's one part of the formula that's going in place, the next step. But then look two years from now, you'll see them start to get back on track again, and then things smooth out again. So they're willing to do that and understand that they're going to have to make some sacrifices for a couple of years until that happens. So there is another step that needs to be taking place here. I don't know what you'd study for sure right now. I guess you could study to see how far it's gone, but you're going to need to have the whole thing in place, I think, before you start doing a study. I actually think you need to have a couple of years of history of how it's working before you can really study as to whether or not it's the best method for funding for community colleges. So that is the reason that I'm appearing in opposition to a study right now. I think we've thoroughly looked at this, and now is not the time for a study. And I'd be happy to answer questions. [LB340]

SENATOR ADAMS: Senator Avery. [LB340]

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SENATOR AVERY: Thank you, Mr. Chair. Mr. Baack, I have a question that is probably better directed to someone on the Coordinating Commission, but I don't know if they're going to testify today so I'm going to ask you. [LB340]

DENNIS BAACK: Okay, that's fine. Sure. [LB340]

SENATOR AVERY: You're the lucky one. I'm looking at the fiscal note, and it reads that after completion of the review, an additional \$10,000 would be required to evaluate and develop an appropriate funding formula that is fair and effective. My question to you is, does that sound like a prior assumption? If you're asking for \$10,000 to come up with a new formula, the assumption is the one that you're supposed to be studying with no prior assumptions is defective. So you need to have money in the budget in order to come up with a new formula. Would you agree with that? [LB340]

DENNIS BAACK: Well, that's what it certainly sounds like. I didn't write the fiscal notes. I mean, that comes from the Coordinating Commission, so I assume that they'll maybe testify here and you can ask them that question. But yeah, it does, you know, sound like they think there's something wrong. But I don't think that's the case, and I think that in my discussions with Dr. Hill, I don't think that's the case that they'd have any preconceived notions. But I do know that one of the things that they would probably have to do is bring in someone to take a look at the funding for community colleges. Because quite frankly, they've got excellent staff and stuff, but I don't think they have the expertise on their staff... [LB340]

SENATOR AVERY: They had that in the...yeah. [LB340]

DENNIS BAACK: ...to delve into, you know, the funding intricacies of community colleges. There are people across the country that do that, and we've actually had some of them in here looking at our funding. So it's not something totally new to Nebraska. [LB340]

SENATOR AVERY: Yeah, and they've actually requested, I believe it's \$78,000 for that outside study. But it struck me as a bit odd to start out by saying the bill calls for a thorough, no prior assumption study, to then say that, well, we're going to need money to come back with a recommendation on how to fix it. [LB340]

DENNIS BAACK: Well...and, quite frankly, it seems to me that if there was a study and we could, and they had recommendations and stuff, I'm not so sure that we couldn't figure out a formula from their recommendations without additional funds. I mean, you know, internally we could certainly do that if we agreed to all abide by exactly whatever they had to say. But I'm sure we could do that without additional funding for that piece of it. [LB340]

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SENATOR AVERY: Now I remember this committee... [LB340]

DENNIS BAACK: In working with the Legislature. [LB340]

SENATOR AVERY: I remember this committee actually did that without \$10,000.
(Laughter) [LB340]

DENNIS BAACK: You're absolutely correct. You did do that. You worked through it the last couple of years, and it's an arduous task, you know. But it's one that could be done. I don't know that that would be necessary. [LB340]

SENATOR AVERY: Thank you. [LB340]

DENNIS BAACK: Um-hum. [LB340]

SENATOR ADAMS: Senator Sullivan. [LB340]

SENATOR SULLIVAN: Yes, you indicated that there was yet another year to let this whole formula work out. Can you elaborate on a little bit more of what's going to... [LB340]

DENNIS BAACK: Sure. There's one more step in the formula that needs to take place. And one of the things that all of the colleges wanted to see happen was that they wanted to see there be not quite so much of a differential in how much state aid per student each college received. And so we're going to try to, and so the next step starts to bring those closer together. It actually creates basically three tiers of community colleges in Nebraska. It creates a tier which is made up of Southeast and Metro who are very similar in size. It creates a tier of Northeast and Central who are very similar in size, and Mid-Plains and Western who are similar in size. And so you're going to see, so those...then those are going to be much more equal in the amount of funding they're getting per student from the state as far as state aid goes. That's what that does. One of the things that happens when you do that is Southeast Community College gets a big bump of money next year under that formula, under that change. And the reason they do is because they're at the bottom of the barrel. They were receiving the lowest funding per student of the whole system, and in order to bring them up to be closer to Metro, they have to have a push of money to do that. And you're seeing the same thing happen with Central loses, Northeast gains, to bring those closer together. Western loses, Mid-Plains gains, to bring them closer together. So that's the next step in the formula. And then you see...then the year after that is when the full impact on Central and Western and those really start to take place, and then you see it starting to even out again where they're not losing funds. They're actually gaining resources, and again are on a fairly even keel. [LB340]

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SENATOR ADAMS: Senator Haar. [LB340]

SENATOR HAAR: Thank you. From the conversations I have had with certain people though, it seems to me that it's not really the formula that's the issue, it's equalization. Whether that's a concept that should be used, I mean, everybody, I guess at this point accepts TEEOSA for, you know, K-12, but it sounds to me like here the issue is, does equalization make sense for community colleges? That's the question, wouldn't you agree? [LB340]

DENNIS BAACK: Senator Haar, I would agree with that. I would agree with that, and I've had some conversations with Metro and some of their board members, and I do agree with that. I do think that that is one of the key issues. And I find it a fascinating issue, quite frankly, from the standpoint of when you're talking about equalization, and they don't want any equalization across the state. They want it to be kind of independent, regional entities, I guess. I'm not sure. But if you look at community colleges, they all do some tax equalization right within their own districts right today, with the funding they have today. Take Metro as an example, in Metro's case, there are certainly areas in the Omaha area that have a lot more property value than other areas in that...in other parts of Omaha. Okay, so when they receive the property tax from those areas, do they then make sure that the services that they offer only go to those areas because they paid more property tax? No, they don't. They equalize it. They take the property tax that comes all together, pool it all into one set of resources, and try to provide the best quality education for all of the constituents that live within their district. And all of the other colleges do exactly the same thing. There's going to be different pockets that are going to pay more into some of those things, and they're going to be redistributed. It's going to happen, and it does happen. [LB340]

SENATOR HAAR: So talking about tweaking an equalization formula, it isn't really the issue at all. It's whether equalization is...makes sense. [LB340]

DENNIS BAACK: I do believe that that's the core issue as to whether or not we have equalization. And I was asked by my board and also by my presidents as these issues came up, the question was asked of me, do you think that the Legislature would simply go away from equalization and not use equalization for community colleges; treat them totally differently than any other political subdivision, and just allow their levy to float wherever it happens to float for the local community college to support their community college. And my answer was, no, I don't think the Legislature is going to go there. I think that the Legislature believes in equalization. It shows that they believe in equalization by the way they treat K-12 schools. It shows they believe in equalization by the property tax lids they put on NRDs and ESU and all the other entities that are out there. I don't think they're going to treat community colleges any differently than the other political subdivisions. That was purely my opinion, but I just, you know, and I've watched this process for over 25 years now, and I don't think they're ready to do that. [LB340]

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SENATOR HAAR: Yeah. Well, one of the interesting cases I had is three college friends who wound up chaining the cupboard doors shut and so on because who was stealing from whom. They went back to the judge, and I don't know what happened. Do you think it's time to go back to the judge on this one? [LB340]

DENNIS BAACK: Well, I don't know. [LB340]

SENATOR HAAR: Yeah. [LB340]

DENNIS BAACK: You know, I, quite frankly, I applaud Senator Raikes and the work that this committee did in devising the formula they've got. I think it works awfully well and the projections I've seen into the future, it really does work fairly well. Maybe not like...exactly like everybody wants it to, but I think it works pretty well. And the key to it is...the key to this formula is, is that they have the resources to support their college. Every college will always have the resources. Now it will come from different sources in different years. Depending on how much money the Legislature puts in, that will change how much they can have for property tax and that will change how they look at tuition. But they always will have access to the resources to run their college. Those local boards are going to have to make the decisions as to which resources they are going to use, but they will have access to the resources, and I think that's an awfully good feature of the formula. [LB340]

SENATOR ADAMS: Senator Howard. [LB340]

SENATOR HOWARD: Thank you, Mr. Chairman. I was recently given a graph, and you may have seen this. And according to this graph, it appears that it costs twice as much to educate Western, a student who is attending Western Community College, as Metro. And I'm wondering in your opinion why you think this would...this information would appear to look like this? [LB340]

DENNIS BAACK: Well, I think that happens because if you look at, whatever college you look at, there's a certain amount of infrastructure that goes with the college. And you're going to...each one of those colleges is going to have to have a certain amount of infrastructure to run a college: the administration and the right kinds of people in the right places, and the student services, and all those things. And then depending on how many students you have and you can spread that cost out across the students, there's going to be a differential in how much each student costs. There's a big differential in how much it costs for students in K-12 education. I mean, you know, there...it just depends on, you've got some circumstances geographically and those kind of things and populationwise that are going to create some differences, and that. You're never going to be able to come to a point where they all are exactly the same. [LB340]

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SENATOR HOWARD: Okay. Well, that's interesting because I had expected you to tell me that the graph was inaccurate. But if you're telling me that that...it does cost twice as much, approximately. [LB340]

DENNIS BAACK: Well, I don't know, I haven't seen the graph you're talking about. [LB340]

SENATOR HOWARD: Oh no. I think this is interesting, so thank you for the information. [LB340]

DENNIS BAACK: But I have not seen the graph you are talking about and I don't know what the actual differential is, but I'm just telling you there's going to be differential, but I don't know what the actual differential is. [LB340]

SENATOR ADAMS: Senator Ashford. [LB340]

SENATOR ASHFORD: Just following up on that, but when we...just to go back in history a bit, when this committee did support this initiative--we were all on the committee together, not all of the new senators obviously--there was an increased appropriation of, I believe, \$20 million? [LB340]

DENNIS BAACK: \$12 million. [LB340]

SENATOR ASHFORD: \$12 million. Twelve million, in the one year, or for the biennium, is that what it was? [LB340]

DENNIS BAACK: Correct. Yes. [LB340]

SENATOR ASHFORD: There was \$12 million. And then at that point there was a shift in the formula as part of that, as I recall. [LB340]

DENNIS BAACK: Um-hum. Yeah, and the reason the \$12 million was there, Senator Ashford, was to make sure that when we were doing a new formula we didn't want to hurt some college. And if we didn't put those additional dollars in there, Metro was one of them that would have got hurt in the initial shift. [LB340]

SENATOR ASHFORD: There was a hold harmless piece to it. [LB340]

DENNIS BAACK: That's kind of what it was like, yes. [LB340]

SENATOR ASHFORD: Kind of similar to what we did with the state aid formula under the learning community, is we put a hold harmless. [LB340]

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DENNIS BAACK: Correct. [LB340]

SENATOR ASHFORD: And following on just what Senator Howard said, is that at least it's my understanding that what we, what this committee passed and what the Legislature passed, obviously South Sarpy, for example, has a higher, in their learning community, has a higher cost per student than OPS because--almost twice--because, in fact, it has fewer students, but it still has to hire teachers and pay insurance and do all that. The formula does not necessarily reward Western for the fact that its costs per student are twice what they are at Metro. Would that be generally correct? [LB340]

DENNIS BAACK: No, I don't think it rewards them for that, no. [LB340]

SENATOR ASHFORD: And that's sort of the essence of equal. I mean, that cost, the cost of education at community colleges is standardized per these particular three, into these three categories. Is that an accurate statement? You have the cost part of the formula... [LB340]

DENNIS BAACK: Um-hum. [LB340]

SENATOR ASHFORD: ...is determined by where that college fits. [LB340]

DENNIS BAACK: Um-hum. [LB340]

SENATOR ASHFORD: If it's Metro and Southeast, they're in the same class. [LB340]

DENNIS BAACK: They're basically the same. They're not going to be exactly the same, but. [LB340]

SENATOR ASHFORD: The cost. The cost isn't the same, but they're compared to each other. [LB340]

DENNIS BAACK: Right. They're compared to each other sizewise. [LB340]

SENATOR ASHFORD: And so that's how the formula was derived, not necessarily from the cost per student. [LB340]

DENNIS BAACK: Right. But it does narrow the...it does narrow it down. It isn't quite as much differential in the cost per student, even across the whole system now, under the new formula. [LB340]

SENATOR ASHFORD: It equalizes. [LB340]

DENNIS BAACK: It brings them closer together. [LB340]

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SENATOR ASHFORD: It doesn't equalize. That's the wrong term. [LB340]

DENNIS BAACK: It brings them closer together. Yes, it does. [LB340]

SENATOR ASHFORD: So to Senator Howard's point, it does, to some extent, bring Western with higher costs per student closer to... [LB340]

DENNIS BAACK: To Mid-Plains. [LB340]

SENATOR ASHFORD: To Mid-Plains, for example. [LB340]

DENNIS BAACK: It does. Yes, it does. [LB340]

SENATOR ASHFORD: And the justification for that is? [LB340]

DENNIS BAACK: Just sizewise, they're very similar, you know, and they should be. And they're fairly similar in operation. They've both got a couple of locations, a couple of campuses, you know, so they're very similar that way, and there should be some similarity in the... [LB340]

SENATOR ASHFORD: And the result of that is what? Bringing them together is what generally? If you bring those two smaller community colleges together in the same cost bracket, what is the general result for them in the end, as far as state aid is concerned? In the short term, they're getting more state aid; in the long term, that shifts. [LB340]

DENNIS BAACK: Yeah, well, actually, I mean, for the two colleges and for the short term, Western is going to lose some state aid because they're going to have to lower their...they're going to lower how much they get from state aid... [LB340]

SENATOR ASHFORD: For cost based... [LB340]

DENNIS BAACK: ...and Mid-Plains is going to go up. And there's...going to have the same thing happen with Southeast and Metro and... [LB340]

SENATOR ASHFORD: The assumption being that they are...they should generally be spending the same amount. [LB340]

DENNIS BAACK: Right. They should generally be in that...in the same range. There's going to be a little bit of range. [LB340]

SENATOR ASHFORD: Okay, and the only point in that laborious question is--the answer wasn't so laborious but the question certainly was--is that we were trying...when

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we did devise this formula in this committee, we were trying to bring them together. We were trying to find out what is the most accurate cost we can come up with in evaluating how much state aid these various institutions should get. [LB340]

DENNIS BAACK: That was Senator Raikes's goal as he devised it and as he presented it to the committee, yes. [LB340]

SENATOR ASHFORD: Okay, and it's my understanding from looking at this thing, not totally in-depth, but in the last week or so...is there is some issues between Southeast and Metro because of some of the differences in how they, not necessarily just their costs of education, but also in how they focus their educational...you know, what their vision is, what they do, what kind of educational opportunities they provide. There may be some differences. Those are not necessarily reflected in the formula. [LB340]

DENNIS BAACK: No, but they're reflected in their base. When they talk about their needs and the resources and stuff that are available to them, they are represented in their needs calculation. They would be represented in their part of the needs calculation, each one. [LB340]

SENATOR ASHFORD: And then the last question. The REU versus FTE was a factor that was put in last year, is that correct? [LB340]

DENNIS BAACK: Well, actually...yes. [LB340]

SENATOR ASHFORD: No, it was always there before, but it was... [LB340]

DENNIS BAACK: It was more emphasized. Yes, the REUs were put in there last year, yes. [LB340]

SENATOR ASHFORD: And why did we do that? [LB340]

DENNIS BAACK: Well, I think that the reason that that was done was because we have always wanted to...we have always felt that our number one part of our role and mission is technical education. And the only way that we have within the formula of emphasizing technical education is through the REUs, because all that is is weighted FTE. REUs are simply weighted students. [LB340]

SENATOR ASHFORD: What is an REU? What do the words mean? What do the letters mean? [LB340]

DENNIS BAACK: Okay, an FTE is a full-time equivalent student. An REU is a reimbursable educational unit. And what you have, is you have...we have three categories of courses. We have the class 1.0 course which is the academic transfer

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courses. A student that takes an academic transfer course will be rated at 1.0. That's just a regular course. Then we've got the occupational courses that require some extra equipment, maybe some extra staff and stuff to deal with those. Those can be rated at 1.5. And then you have the 2.0's which can...which will be the heavy vocational courses, such as healthcare and those kind of things. So that's what they are. They're weighted. And in order to emphasize technical education, we wanted to go to REUs because that's how we do it. Otherwise every class is going to look...every FTE will look the same. [LB340]

SENATOR ASHFORD: Then this is the point. Is it the...has it been up until at least the last week when everything broke apart and we're having internecine warfare; up until that point in time, it was the united vision of all the colleges that vocational education was the primary role and mission of the community colleges. Is that a mission statement that exists somewhere? [LB340]

DENNIS BAACK: Absolutely. It's in statute. [LB340]

SENATOR ASHFORD: And that is still there and that has not been changed. [LB340]

DENNIS BAACK: That is still there and it's in statute, and as we have had these discussions about the formula and funding for community college over the last three years, there were some of...we talked about certain principles that we wanted in a formula. And when that came up, whether we should emphasize technical education, that was never a question in anybody's mind that we ought to automatically have some kind of weighting and some kind of formula that reflects technical education as being our main mission. Everyone agreed to that at that time. Now I don't know if that's changed, but at that time everyone agreed to that. That that was an important piece of what we do. And it is an important piece of what we do. It is...we have our own mission statutes, and that's very, very clear that that's our number one role is that. And we are not trying to interfere on your bill. We just kind of did this discussion... [LB340]

SENATOR CORNETT: I was just going to say, I walked back in the room and I'm like, did I miss something? [LB340]

DENNIS BAACK: No, no, you thought you missed your introduction. No, you did not. (Laughter) Sorry. [LB340]

SENATOR CORNETT: That's okay. [LB340]

SENATOR ASHFORD: But it seems to me within that broad mission, that there are categories within that mission that are consistent with that mission that go into the needs calculations, as let's say between Southeast and Metro, that are legitimate issues to be discussed and to be revisited and to be thought about. [LB340]

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DENNIS BAACK: Sure, sure. But I think that, you know, I think we've got to make sure that the whole formula is in place before we can do that. [LB340]

SENATOR ASHFORD: No, no, I understand. [LB340]

DENNIS BAACK: But I mean, but no, absolutely they can. [LB340]

SENATOR ASHFORD: But even within the formula, we can model the formula. [LB340]

DENNIS BAACK: Sure. [LB340]

SENATOR ASHFORD: I mean, we can see what the results are going to be. [LB340]

DENNIS BAACK: Sure. No, that's absolutely true. [LB340]

SENATOR ASHFORD: Okay. Okay, thanks. [LB340]

SENATOR ADAMS: Other questions, Senator Ashford. Anybody else? Dennis, just a couple of...following up on what Senator Ashford was saying then, in this initial phase of the formula, in this first two-year phase of it, based on those tiers, we've had community colleges out there that have actually taken a hit in order to implement this formula. [LB340]

DENNIS BAACK: Correct. [LB340]

SENATOR ADAMS: I think you mentioned Central Community College and I believe Southeast Community College within that tier with Metro, they've been taking a hit. Now we move into this next phase, and if I understand you correctly, then in this next phase, Southeast Community College stands to gain in the formula. [LB340]

DENNIS BAACK: Correct. [LB340]

SENATOR ADAMS: And we still have the Centrals and others out there that may be losing. [LB340]

DENNIS BAACK: Central will still lose a little bit in the first phase of it and so will Western. [LB340]

SENATOR ADAMS: Okay, so my point is not only a matter of formulation and equalization, but it goes to another point. When the six community colleges got together on this formula two years ago and created it, it seems as though we have institutions that have bought into the formula, bought into it with the understanding that they're

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going to have losses. And they're still okay with the concept of, at minimum, equalization, if not also the implementation of the formula as it is. [LB340]

DENNIS BAACK: Correct. Because they're looking at the long term of it, and one of the key factors in it is there is another piece that goes into place this next year is we have a growth piece built into our formula. And right now it's at 2 percent a year. You can grow 2 percent a year even if you, you know, don't grow necessarily in students and stuff because there's still inflation and stuff to take care of. That growth rate would go to 3 percent and that's really important to the colleges, that that growth rate increases. So yeah. [LB340]

SENATOR ADAMS: Let me take you back historically then. [LB340]

DENNIS BAACK: Okay. [LB340]

SENATOR ADAMS: When we built this formula here in this committee, but more specifically Senator Raikes and the Education Committee staff, it was in conjunction with the six community colleges. [LB340]

DENNIS BAACK: Oh absolutely. [LB340]

SENATOR ADAMS: And it took awhile, but ultimately there was buy-in. [LB340]

DENNIS BAACK: Ultimately, the vote on the...actually it took quite a while to get it in, to get the buy-in, but on the morning that the bill was going to come up that afternoon in the Legislature, my board voted 12-0 to support the formula. [LB340]

SENATOR ADAMS: Okay. [LB340]

DENNIS BAACK: Which was all six community colleges. Two from each community college area make up my board. [LB340]

SENATOR ADAMS: It also seems to me that, in working with TEEOSA, you can't have a formula at any point in time that does absolutely everything it's supposed to do or that is not worthy of looking at and tweaking. I'm going to ask you a loaded question, having been around here for many years. So a year ago, we passed LB988. [LB340]

DENNIS BAACK: Um-hum. [LB340]

SENATOR ADAMS: TEEOSA. Rather substantive changes in K-12 in the way we distribute aid. It would seem to me that at some point down the line we're going to want to revisit that formula and take a look at it. We're into our second year. Is now the time to start opening it up and looking at it, when we've hardly had time for schools to even

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see what the formula is going to do for them? A rhetorical question. You don't have to answer that. [LB340]

DENNIS BAACK: Okay. [LB340]

SENATOR ADAMS: But trying to make a point more than anything else I guess. Thank you, Dennis. Yes, Senator Cornett. [LB340]

SENATOR CORNETT: Not to contradict what's been said here, but I distinctly remember long conversations out in the Rotunda with community colleges, in particular Metro, who was very concerned at the time about what this was going to do to their funding...what we passed two years ago. And Jim Grotrian, I believe, was their lobbyist at the time. And I distinctly remember a conversation with him, where he said, we're going to go along with this for the good of the whole community college system, but that doesn't mean we won't be back because we don't know how this is going to affect us really. [LB340]

DENNIS BAACK: No, and you're correct. [LB340]

SENATOR CORNETT: And would you say that that's a fair...that they went, that Metro agreed to go along with that with the understanding that they knew there may be problems down the road? [LB340]

DENNIS BAACK: Well, I...yeah, I think that's true. And I think that, but I think that everybody knew that there might be problems down the road, but they did. [LB340]

SENATOR CORNETT: I remember Jim calling everyone out and saying, yes, we know this is imperfect, we want to try and cooperate, but...and there was distinctively that but. I don't feel that they're trying to back out necessarily. I think that they just had time to look at the numbers a little bit more closely. [LB340]

DENNIS BAACK: Right. And I've got to tell you that I think had Metro approached the association, approached the other five community colleges by saying, look, we would like to look at this area or this area and tweak a couple of things in that area, I think the reception would have been much different than coming to us and saying, look, we want you to throw out this formula, start all over from scratch and devise a whole new one. [LB340]

SENATOR CORNETT: Okay. [LB340]

DENNIS BAACK: And that's, that was the difference because I don't think there's anybody in the system who would not be willing to have some discretion about these things, and we'll be talking a little bit about that on your bill...that would not be willing to

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have some discussion on these things and are looking at these things. We're always looking at it and seeing how is this working, how is that working, but right now, to have even an outside entity look at it, I think would be difficult in a study situation. [LB340]

SENATOR ADAMS: Other questions? Senator Ashford. [LB340]

SENATOR ASHFORD: Dennis, have we modeled out at three years, four years, five years? [LB340]

DENNIS BAACK: We're working on that right now, and we are going to model it out. And we'll have that... [LB340]

SENATOR ASHFORD: I mean, there can be...it's like the state aid formula in the learning community. We, you know, we... [LB340]

DENNIS BAACK: Right. [LB340]

SENATOR ASHFORD: We know what year one, year two. We don't...then we have to look at it again to see year three. We don't know yet what the impact of year three is. [LB340]

DENNIS BAACK: No, we don't know yet. And we are looking at modeling that, and that the key to it is you always have to guess when you model. You know, whenever you're modeling, number one, you have to guess at what student growth is going to be. You have to guess at what valuation growth is going to be. You have to guess at what your tuition rate is going to be, because all of those things are part of your needs calculation and your resources calculation, so you do have to make some guesses. But we can make fairly educated guesses and historical guesses that are pretty accurate. [LB340]

SENATOR ASHFORD: One last question. On the issue that Randy brought up which is seemingly an...it's hard to understand how this can be, but I know that we do somewhat the same thing in the state aid formula. As tuition goes up, the amount of state aid goes down. Do you understand, as they raise tuition--Metro, for example--the resources available to Metro to operate its college go up as tuition goes up. Does that adversely influence, under this formula, does that adversely influence what will happen on the state aid side of the equation? [LB340]

DENNIS BAACK: I've never looked at that specifically, but...I mean, I have to accept...I mean, they've got very good... [LB340]

SENATOR ASHFORD: But I mean conceptually I think that goes into the resources. [LB340]

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DENNIS BAACK: They've got very good analysts, and I can't imagine they're wrong, so I would guess that it does. [LB340]

SENATOR ASHFORD: No, no, I'm...they may or may not be wrong. But I'm just saying conceptually, when you raise tuition or your property values go up, your resources are going up. [LB340]

DENNIS BAACK: Yeah, your access to resources go up, yeah. [LB340]

SENATOR ASHFORD: And that could adversely impact state aid in some incremental way. [LB340]

DENNIS BAACK: It could, and there has...there were some fears too, that, you know, if you didn't levy at the LER rate every year, at the local effort rate every year, that there was going to be an adverse impact on you. We have done a little bit of analysis and we're doing that in our projections out. And that may not be the case, that there may not be that much of a penalty if you do not levy at the LER rate, but we still haven't got the full analysis to say that for sure yet. [LB340]

SENATOR ASHFORD: Right, but surely things like the impact of raising tuition, raising property valuations are issues that the group can address because it applies to everybody. I mean, tuition can go up at other colleges just like it does at Metro. [LB340]

DENNIS BAACK: Sure. [LB340]

SENATOR ASHFORD: And that's something one could think about. [LB340]

DENNIS BAACK: And those kind of issues, I don't...I can't imagine there's anybody in the group who wouldn't be willing to talk about those kinds of specific issues, as I think they would be. [LB340]

SENATOR ASHFORD: Okay, thanks, Mr. Chairman. [LB340]

SENATOR ADAMS: Anyone else? Thank you, Dennis. [LB340]

DENNIS BAACK: Thank you. [LB340]

SENATOR ADAMS: Is there anyone else who wishes to testify in opposition? [LB340]

JACK HUCK: Chairman Adams, members of the committee, my name is Jack Huck, H-u-c-k. I am president of Southeast Community College. And since you've taken the liberty of using our name already, I thought I'd at least give you a chance to have the direct communication process. We are a community college obviously here in the state

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of Nebraska. You've already heard a great deal of testimony about the intentions of the formula and so on. We are very equal to Metro in terms of the reimbursement picture that takes place under the current funding formula. If you look at the number of reimbursable education units that go into the formula for calculation purposes from them and from us...I can't tell you I remember the exact number. We are both in excess of 12,000 reimbursable education units annually and we're within three or four hundred units of each other. So we are very much equals in that sense. And I thought it was perhaps important for you to hear from a college that is essentially the equivalent of Metro; at least a point of view that is significantly different than the one that was expressed to you from them. Our board of governors at Southeast Community College has talked a great deal about the funding formula that you helped put together and acted on over the last couple of years. And I would tell you that I wanted to express to you on their behalf our gratitude for the good work that this committee did and those of you that were members of that committee during that process in bringing that funding formula forward. Our board of governors believe strongly in access for community college students across the state of Nebraska. We believe it's important that all students across the state of Nebraska have access to their local community college; not just in Lincoln, not just in Omaha, but across the state. And in fact, I would say to you, because we are very much the equivalent of the Metro district, if there were to be changes in the formula, whatever they might be, and I would say to you, there's been a great deal of discussion among yourselves today and those who have testified about equalization. As a member of the CEO's Council of the Community College Association where all the presidents meet each month, I have not seen a proposal come from Metropolitan Community College that attends to equalization in terms of the changes they are seeking. The proposals that have been brought forth for me to consider on behalf of our college and on behalf of the NCCA CEO's group, all deal with revamping the formula from scratch as you were told in some per unit kind of way, whether it's per capita, per tax dollar, whatever the case may be. And I have to tell you, if those were to happen, Southeast Community College would benefit as much or more than Metropolitan Community College in terms of that kind of revamping. But our board of governors believes in principles, as I said, of access across the state of Nebraska for community college students. We do believe in equalization. That was brought home very much to us by the formula which preceded this one where we worked diligently with the Legislature at the time to make sure that we had equalization reflected in the formula and make sure that tax rates across the state, property tax rates, were within a given range. And we learned very much to believe in that principle as we worked through it during that iteration. And I would also say to you that we believe very much in the role and mission of community colleges in the state of Nebraska as assigned to us by statute. That role and mission creates vocational technical education as our primary role. It creates college transfer education as our second role, and adult education and applied research as our third role. We believe the funding formula that this committee and the Legislature had the wisdom to work on over the past couple of years reflects that role and mission very appropriately. And last of all, we believe very much that you

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ought to let the formula, as devised, be implemented in full before we start studying or making changes or anything of that nature. It's difficult for us to understand how you can propose change, or study even, for a product which is not yet fully known. We would encourage you to leave the legislation in place, to not do a study at this point in time, and to be open to this topic on a go forward basis as it may become appropriate in the future. I would also share with you in closing that I am, frighteningly now, the longest serving CEO in the community college system in the state of Nebraska. I've been in this position 15 years now. I've seen a number of changes in the formula. I've seen REUs be a part of the factor for all 15 years that I've been in this job, so some things change, some things don't. But one thing that has not changed throughout history, at least of my service, is the willingness of all the community colleges to take action, to study, to make changes when appropriate as dictated by the needs of our peers around the state. I don't feel differently about that as it relates to Metropolitan Community College or any other of our peer institutions, and I don't believe that commitment will change in the future. I believe we maintain the same commitment that if there is truly a problem, we have always risen to the occasion to speak to those and to deal with those. In this case, we just need to see the product before we start talking about what changes need to be implemented. Thank you very much. [LB340]

SENATOR ADAMS: Thank you, Jack. Questions from the committee members? Yes, Senator Sullivan. [LB340]

SENATOR SULLIVAN: Thank you, Senator Adams. Could you tell me--I'm a freshman senator so I'm not privy to the history of this--but as I understand it, my colleagues that have a longer term than I were instrumental in developing the current formula. But were all of you as presidents of the respective community colleges involved and kept in the loop as this was being developed? [LB340]

JACK HUCK: We were. In fact, we initiated the whole study process that eventually played into the product that this committee and the Legislature endorsed. I would be less than honest if I told you that was an easy process. It was not an easy process for us. It was probably the most confrontational process with my fellow presidents that I've been in, in the 15 years I've been in this position. That doesn't mean it is a bad process; it just meant it was a little unique. And quite frankly, our lack of agreement...we were not able to agree as a group of presidents on an outcome that we brought to this committee as a single endorsement, despite what Dennis told you about the 12-0 vote, and it was a unanimous vote from the association. In leading up to even what we took to the association board, we were not unanimous in our work; and, in fact, we went through mediation. We had two of the top mediators in the state mediate our sessions as six presidents and so on. And that did not yield a successful product. And so the product that we brought forward was further edited by this committee and by the Legislature as it came to finality. But I would tell you, again, I think those edits were very appropriate and very on target, and at least I can tell you that Southeast Community College

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appreciates very much the work that was done by this committee and by the Legislature in reaching that outcome. [LB340]

SENATOR ADAMS: Senator Haar. [LB340]

SENATOR HAAR: Thank you, Senator. Now colleges can't opt out...community colleges...or can they? This is just to clarify it for me. Can they or can they not opt out of this formula right now? [LB340]

JACK HUCK: No, I am not aware of any way that you would opt out of the formulas. I mean, the legislation is written to apply to the community colleges in the state of Nebraska. [LB340]

SENATOR HAAR: Okay, but my understanding, colleges can opt out of the association? Or not? [LB340]

JACK HUCK: Your previous testifier perhaps is a better person to ask about that. My...I am aware of that topic, and my response to you would be that phenomenon is currently being tested within the association. And I know for a fact and you may all be aware that there has been legislation introduced to deal with the phenomenon very precisely of if that happens, what impact does that have on access to state aid and so on. So I think those answers are yet to be determined. Those are not in place yet, but we are certainly traveling that pathway at this point in time, and I think we're going to explore those outcomes, like it or not. [LB340]

SENATOR HAAR: Of course we would all like to see you folks work it out, but do you feel it's at an impasse right now or? [LB340]

JACK HUCK: Well, again, I can only speak for Southeast's board of governors, and our board of governors has taken a very straightforward position from day one, and it kind of revolves around the topic that you all raised in previous testimony; and that is, we believe that equalization is an important concept in distributing state aid to community colleges. It seems that there is a different opinion behind this legislation and behind the position that Metro has taken at this point. If that is a real difference, I would have to say to you, I don't have a magic way to resolve that difference. You're either going to have equalization in the formula or you're not. And I think as you alluded to earlier, Senator Haar, perhaps if...I'm not sure who the judge is, but I may be looking at them in group, and if that's the reality, then it may be that the judge has to determine that outcome. [LB340]

SENATOR HAAR: Okay, good. Thank you. [LB340]

SENATOR ADAMS: Are there other questions? Thank you. [LB340]

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JACK HUCK: Thank you, Senator Adams. [LB340]

SENATOR ADAMS: Are there others who wish to testify in opposition? Is there neutral testimony? [LB340]

MARSHALL HILL: (Exhibit 1) Good afternoon. My name is Marshall Hill, M-a-r-s-h-a-l-l H-i-l-l. I am executive director of the Coordinating Commission for Postsecondary Education. And I've tried to make notes of questions and comments as they've come along, and I'll try to address a number of those as I make my remarks to you. We're testifying neutral on this bill for reasons, I think, which will be made clear as I proceed. We are doing a direct reading of the bill as submitted, and interpreting that it is calling upon the Coordinating Commission to undertake a review of the community college system to determine how to effectively fund and fairly fund them, and to recommend ways to promote an effective and efficient system that promotes effective education and local control. We do appreciate the votes of confidence in the commission that this bill symbolizes and that remarks of prior testifiers convey. And we, even especially more after today's discussions, understand that the bill was prompted by Metro College's board of trustees' dissatisfactions with the current formula that allocates the state funding to community colleges. We don't believe that the funding system can be evaluated in isolation from background data and information on a number of factors: enrollments, programs offered, tuition rates needed, services, institutional performance, local tax levies, and so forth. So in order to do a no prior assumptions review, which I want to emphasize that that would be our approach, we would need to go through a significant data gathering and analysis activity. We believe that such a study should also examine community college systems and funding systems in other states to see if we can identify best practices and determine whether or not those could be modified or implemented in Nebraska. As I previously mentioned, the commission has a small staff--13. If we had little else to do, we do have the capability to do a good job on the proposed study. But as you know, we have many other things to do, many constitutional and statutory duties to carry out. So consequently, we would need to hire some assistance on this. We have completed a fiscal note. I'm sorry that Senator Avery is not here to hear my explanation of what we meant by the no prior assumptions. And we do mean just that: No prior assumptions as to what would likely come out of our review. The differentiation of...the breakdown of the fiscal note is predicated on the thought that, first, you go through an analytical process to determine all the relevant characteristics, and second, you look at those characteristics to determine how you might construct an appropriate formula out of that. It's not based at all on the idea even that a formula funding approach is the way to proceed because there are other ways to proceed which I'll make clear in just a moment. We do have some concerns about pursuing a study that's prompted by one institution's dissatisfaction with a recently revised and implemented funding formula that, frankly, was put together with considerable institutional involvement and intense legislative oversight. For those reasons, our

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judgment is that a study such as that proposed in LB340 might best be delayed until full implications of the formula can be seen over several years. But lastly, if the Legislature were to ask us to carry out the proposed study, I pledge to you that we would do so thoroughly, capably, and with no prior assumptions, except perhaps one. And that is the commission's longstanding belief that it is important that community college services and opportunities be offered to people throughout the state...throughout the state of Nebraska as a whole. Whether that takes the form, necessarily, of equalization, or whether that could be obtained in other ways, falls under my no prior assumptions clause. We have provided you some information which is a bit old, 2004-2005 community college funding by state. This document is in the process of being updated; I'll provide it to you later. Two or three things I'd like to point out about this. First, you'll notice that there is no state that does not provide some funding to its community college system. But the percentage of funding that they provide from the state level varies from a low of 17 percent of the community college funding in a state to a high of 83 percent. That's a huge, a huge variance. Indeed, some states rely to no degree on local appropriations. All funding is from the state level. So there clearly is no one single model to fund community colleges in this country. It's unfortunate that perhaps the segment of our country which is most in need of a community college system has none, and that's the District of Columbia, but there are efforts to do that. Lastly, I have a couple of personal views on formulas and their appropriateness. Prior to coming to Nebraska four years ago, I served for 11 years at the Texas Higher Education Coordinating Board. Texas was one of the first states in the country to adopt formula funding mechanisms to fund higher education, back in the mid-'60s. I have done consulting projects, personal consulting projects, in my spare time in three foreign countries on the development of formula funding systems. Had they been here today, they might wonder whether they should go in that direction at all. They are difficult, however they're very common, based on the idea that if one can identify what your policy goals are, you can come up with a formula system that reflects those. And the general principle I think that we would do is that it's, first, important to identify your policy goals, then adopt a formula system that carries them out; rather than devise a formula system which guides institutions in a direction in order to magnify or maximize their formula generating capability rather than to do what's needed and necessary for students in their districts. One last point. Senator Howard, if perhaps the chart to which you were referring is the one that comes from our little "Bird's Eye" book, I wanted to clarify that the large amounts that you see in that for Western Nebraska Community College and others, these are state appropriations per full-time enrolled students, not costs per full time. The actual costs for the institution per full-time student are far more narrowly confined than that. The fact that the appropriated amount is higher is a reflection of historical formula amounts. I'd be pleased to respond to any questions you might have. [LB340]

SENATOR ADAMS: Questions from the committee. Yes, Senator Sullivan. [LB340]

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SENATOR SULLIVAN: Thank you, Senator Adams. If I understood you correctly, just in your closing remarks, you believed a formula or the formula should be driven by the mission of the institutions. Do you think that's what's happening here in Nebraska? [LB340]

MARSHALL HILL: To a large extent, yes. What the state has done in the recent version, the most recent version of its funding formulas, it seems to me to quite consistently match up with the statutory directives that the Legislature has given the community college system. And my personal belief as a professional in the field is that your directives to them are quite accurate. Comprehensive community colleges in this country do a large number of things. But they have evolved significantly over the past ten or so years. They increasingly are the ways that traditionally underrepresented students are going to access higher education, and those students need access to those three things essentially. They need access to high quality vocational education programs. They need access to the kinds of courses which make them better citizens and better able to do additional coursework at four-year institutions if need be, and they need to provide the short-term kind of training for workforce readiness that they do. I personally think the Nebraska statutes capture that quite well, and to a large extent so does the current formula. [LB340]

SENATOR SULLIVAN: Thank you. [LB340]

SENATOR ADAMS: Other questions? Yes, Senator Howard. [LB340]

SENATOR HOWARD: Thank you. Thank you, Mr. Chairman. Just a point of clarification, of the graph didn't come from that particular book. And I did, the individual that gave me that information, I did ask specifically if that reflected the cost per student, so. But thank you for that information. I'll look at that graph as well. Thank you. [LB340]

MARSHALL HILL: All right. [LB340]

SENATOR ADAMS: Are there other questions at this point? Seeing none, thank you. Is there other neutral testimony? Hearing none, then we will close the hearing on LB340. Senator Cook chose to waive her closing. And we will move on now to LB283. Senator Cornett. [LB340]

SENATOR CORNETT: Good afternoon, Senator Adams and members of the Education Committee. My name is Abbie Cornett. I represent the 45th Legislative District and I'm here to introduce LB283. Under LB283, community colleges would be given the opportunity to have academic transfer classes and developmental classes reimbursed at a higher factor if equipment or specialized equipment is needed to teach the class. Current law does not address the issue of developmental classes, and on the issues of academic transfer classes, current law states that they must be reimbursed by a factor

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of one. The bill does not require any higher reimbursement factor, but allows the colleges to make an argument to the Chief Instructional Officers Committee which they currently do not have. LB283 also changes when valuation numbers are calculated in determining the local effort rate to the way they were historically done using current valuations instead of certified valuations, which were a year behind. We are currently working with the Department of Revenue and community colleges on some language in the bill, and it will be possible we will have an amendment to offer to the committee. If you look at the fiscal note at this time, it was written as indeterminate, and we are working on the language so the Revenue Department can get us a fiscal note. Thank you for your time and consideration of LB283. And I would be happy to answer any questions I can at this time. [LB283]

SENATOR ADAMS: Thank you, Senator Cornett. Members of the committee, what questions do you have? Well, let me begin. So the second part of the statute, Senator Cornett, would be, rather than using certified tax valuation that we know, you'd want to look forward to the current year. [LB283]

SENATOR CORNETT: That is what we're looking at. We're currently working with the Department of Revenue and Metro Community College on changing that language so it is more workable because there is a time frame issue with it. So I will be, most likely, offering an amendment on that. It's just that we have not worked out the details of that at this time. [LB283]

SENATOR ADAMS: Okay. Other questions for Senator Cornett right now? Yes, Senator Haar. [LB283]

SENATOR HAAR: Yes, thank you, Senator. Do you see this then as tweaking the formula? [LB283]

SENATOR CORNETT: I don't see it as tweaking the formula, because it would go...it only allows for them to go before the committee, and for the committee to decide whether they can...what the rate they'd be reimbursed at. So it would be a systemwide decision basically. [LB283]

SENATOR HAAR: Okay, I'm missing something then. I thought you were saying that one factor should be changed. But you're saying that's open to discussion or? [LB283]

SENATOR CORNETT: What it is, is it would allow them to petition the commission. Rather than having a 1:1 reimbursement rate, having either a 1:1, 1:1.5, or a 2:1 ratio. But that would have to be decided by the commission or the committee. [LB283]

SENATOR HAAR: Yeah, and the they that you refer to are the individual boards of the colleges or? [LB283]

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SENATOR CORNETT: It would be the officer...the Chief Instructional Officers Committee. [LB283]

SENATOR HAAR: Oh, okay. [LB283]

SENATOR CORNETT: And it's because of the amount of resources that are necessary for some of these classes. [LB283]

SENATOR HAAR: Um-hum. Okay. [LB283]

SENATOR ADAMS: Yes, Senator Howard, go ahead. [LB283]

SENATOR HOWARD: All right. Thank you, Mr. Chairman. Now this may be...Abbie, this may be a 101 question, but can you just tell me what developmental classes are and academic transfer classes? I think I know what academic transfer classes are. But just so I have the same concept. [LB283]

SENATOR CORNETT: The developmental classes are classes that, from what I understand, help bring the student up to speed. Remember when we were talking yesterday that the community colleges take people in at whatever level, and then they have to bring them up to the level that they need to be to take college classes. And sometimes those classes take more effort or more resources. [LB283]

SENATOR HOWARD: Doesn't the student have to pay for those, in addition to the... [LB283]

SENATOR CORNETT: Now that I could not answer. [LB283]

SENATOR HOWARD: Okay, thank you. [LB283]

SENATOR ADAMS: Senator Sullivan, did you have a question? [LB283]

SENATOR SULLIVAN: Thank you, Senator Adams. Yes, just a point of clarification on the explanation, the Chief Instructional Officers Committee. There would be one appointed for each community college? [LB283]

SENATOR CORNETT: I am not exactly sure on how that is worked out, but I believe there's a committee already in place that they're talking about using. [LB283]

SENATOR SULLIVAN: Because it says, which they currently do not have, so... [LB283]

SENATOR CORNETT: I think that they're referring to the power to approve. [LB283]

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SENATOR SULLIVAN: Oh, they don't have the power. Okay. Gotcha. [LB283]

SENATOR CORNETT: One to...currently they only have the ability to approve a 1:1 ratio. [LB283]

SENATOR SULLIVAN: Okay. Very good. [LB283]

SENATOR ADAMS: Are there other questions for Senator Cornett? Okay. [LB283]

SENATOR CORNETT: And I will waive closing because I'm late for another hearing. [LB283]

SENATOR ADAMS: Okay. Thank you, Senator. Let's begin, first of all, with proponents. [LB283]

RANDY SCHMAILZL: Randy Schmailzl, interim president, Metro Community College. R-a-n-d-y S-c-h-m-a-i-l-z-l. I'm here to testify for LB283. Currently, there is a chief instructional officer located at each community college and that's usually the vice president of academics, and they constitute a committee that annually reviews the courses--usually new courses that are added to the college. And they place them in a three-tier system: REU value of 1 which is academic transfer courses, and the easiest explanation--chalkboard and chairs in the classroom; 1.5, which require a little more equipment; and then 2.0, which would be usually your heavy trades courses like welding, plumbing, construction, that require more equipment. And this has been in place for a number of years in state statute, and so this builds the REUs for the colleges, the reimbursable educational units. And the instructional officers work within a statutory definition, and the definition of what type of classes fall into 1.0 is all they have. And what we're suggesting is the courses that are in the 1.0 area need to be looked at in a way that they may be able to be relocated into 1.5 or 2.0. And I'll give you an example. Back in the early '90s, Metro Community College offered transfer classes at only the Fort Omaha campus. Very restrictive. We could only have classes that would transfer to UNO at the Fort campus. And the Legislature opened up the opportunity to offer transfer classes across the college. In our general education, we do not require students to take a science class as part of their general education courses that are 22 hours; not like their math, English. What they are required to do in some of the majors is take science classes, and a majority of Creighton's accelerated nursing students take all their science classes at Metro. Nursing students that want to get a jump on getting into nursing school take all their science classes at Metro. We currently are renovating the south campus to the tune of about \$4.5 million for increased safety in the science labs, new science labs, and to meet the demand in the healthcare industry in Omaha. Science classes are reimbursed at a 1.0 level because they're transferable. And that's the example that really causes some concern for the college because there's quite a bit

of equipment in science. Another is English as a second language and developmental. They're reimbursed at a 1.0 level and the class limits are around 15 to 16 students. They take a great amount of internal support through academic resource centers that have tutors, that have staff on hand to help with testing. And so although it does not take the initial investment like a welding class would, it does take a perpetual amount of money to support ESL developmental ed. Now earlier today, we heard about the mission of community colleges being trades and technical education, and that's true. In 1974, that's when, you know, that's how the colleges started. This goes along with Metro's concern that Metro has morphed into a college that is needed to meet the needs of the community that we serve. UNO stopped offering developmental classes. They send all their students to Metro. They send all their math students to Metro that need remedial assistance to pass college algebra. They're provisionally accepted at UNO, and then they have to have a math course in place by the end of their freshman year. The reason they stopped them is the cost. It did cost a lot. It costs quite a bit of resources to do this. ABE, GED, when you look at the whole spectrum of developmental education in community colleges in Nebraska, Metro offers 62 percent of the developmental education in the state of Nebraska. There's a number of other examples, but I'm going to choose those examples as ones that I'm sure everyone can understand. So annually, the chief instructional officers meet, and they place classes. We're asking that be expanded so that consideration of moving classes from 1.0 to 1.5, 1.5 to 2.0, be addressed through state statute. I'd like to stop with that Senator Adams, and that completes my testimony. [LB283]

SENATOR ADAMS: Okay. Committee, what questions do you now have for Randy? Senator Haar. [LB283]

SENATOR HAAR: Thank you. To clarify it for me again, who assigns certain things to 1.0 and 2.0 and 3.0, or the 1.0, 1.5, and 2.0? [LB283]

RANDY SCHMAILZL: There's a definition... [LB283]

SENATOR HAAR: In the law? [LB283]

RANDY SCHMAILZL: ...in the statute that's set up on what type of classes would fall into the 1.0 category. And they give specific examples, like developmental, academic transfer. And so it's a tight definition so that the chief instructional officers can apply it to the appropriate class. [LB283]

SENATOR HAAR: Okay. [LB283]

RANDY SCHMAILZL: And then it's agreed upon by the officers, and that represents the official doctrine of the community colleges for that year--the audited version. And the reason we can agree on it is because the definition is the definition, and there's not a lot

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of choice on whether we like it or not that a science class is a 1.0. [LB283]

SENATOR HAAR: So then how would this change it exactly, this bill? How would that change that? [LB283]

RANDY SCHMAILZL: It would look at moving ESL developmental to a potential 1.5 reimbursement, 2.0 reimbursement, instead of a 1.0. [LB283]

SENATOR HAAR: Okay. Without going to a change in the law, now a committee could make those decisions? [LB283]

RANDY SCHMAILZL: If the committee is empowered to do that, the chief instructional officers, or you move the definition of a science class from 1.0 to 1.5 and it's listed in the 1.5 definitions of the statute. [LB283]

SENATOR HAAR: Okay. Thank you. [LB283]

SENATOR ADAMS: Senator Ashford. [LB283]

SENATOR ASHFORD: And Randy, that was that REU thing I guess I was asking you about earlier. But can't...do they...when...the association, officer group makes an annual determination as to where these classes go or... [LB283]

RANDY SCHMAILZL: It's really the instructional officer from each of the six community colleges. [LB283]

SENATOR ASHFORD: They meet on a...like whenever they need to or... [LB283]

RANDY SCHMAILZL: They meet in June usually. They meet on an ongoing basis, but usually in June they come up with the final document that's published for each of the colleges as to where your class falls, so that there's no misunderstanding on how much reimbursement you're going to receive for the class. So no argument. [LB283]

SENATOR ASHFORD: Okay. Sounds like a good model. [LB283]

RANDY SCHMAILZL: Yeah, it is a good model. [LB283]

SENATOR ASHFORD: But, so the last time was last June they met and did this. [LB283]

RANDY SCHMAILZL: Right. [LB283]

SENATOR ASHFORD: And did we...did Metro...did MCC, I assume they did, make a

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case for shifting from 1.0 to 1.5? Or they couldn't make that shift under current law, is that what you're suggesting? [LB283]

RANDY SCHMAILZL: Yeah. There's, you know, we could make a case with the instructional officers, and they'd nod their head and say that's a good idea. We did talk about it, discuss it at the president's council before. No official action has been taken at that point. But the REUs now are going to go into effect in determining the funding formula. [LB283]

SENATOR ASHFORD: So now it becomes...could Metro, under the current law, make that change unilaterally and then... [LB283]

RANDY SCHMAILZL: As far as the REUs on the courses? No. [LB283]

SENATOR ASHFORD: So all...and the differentiation is that it's a transferable credit. Is that the difference? [LB283]

RANDY SCHMAILZL: Well, no, that's...there's a whole series. Each class is listed in terms of whether it falls into the 1.0, 1.5 or 2.0 category. [LB283]

SENATOR ASHFORD: Okay. [LB283]

RANDY SCHMAILZL: And the general titles are academic transfer, for example, developmental education, foundation education, and then you get to the 2.0 and it's program classes related to welding, plumbing, electrical. And so each community college credit class falls into a 1.0, 1.5, or 2.0. [LB283]

SENATOR ASHFORD: Okay. So those are preestablished sort of criteria that everybody sort of agreed on. [LB283]

RANDY SCHMAILZL: Yes. [LB283]

SENATOR ASHFORD: And is your suggestion which seems logical that if we're dealing with more ESL students, that doesn't really go into that. It's the class itself. It's not...it's not if the young person or the student is in poverty or is in ESL. [LB283]

RANDY SCHMAILZL: When the REU system was developed, ESL was not, you know, a big factor. And in fact, in the last five years at Metro, it's become an increasing factor in terms of our budget. So what we're asking is to say that, you know, ESL and developmental education, math... [LB283]

SENATOR ASHFORD: Deserve a higher ranking. [LB283]

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RANDY SCHMAILZL: Right. [LB283]

SENATOR ASHFORD: And that's because things have changed. [LB283]

RANDY SCHMAILZL: Things have changed. It costs more to offer that course: tutoring, student services, learning centers. You can only offer it for about 15 to 16 students in a class is our findings. [LB283]

SENATOR ASHFORD: Right. Okay. [LB283]

RANDY SCHMAILZL: And we're the only game in town that offers this education. [LB283]

SENATOR ASHFORD: Right, and I think it's great. I mean, you do a great job. The...I'm not for...well, I would never deign to speak for Dennis Baack. But I mean, if it doesn't...unless I'm missing something here, couldn't that be something that we could talk about? That where we could talk about trying to expand the 1.5 category, for example, that, because of the ESL category? Which probably applies across the state, at least in western...I know, because I was out there when we did the study we did in Judiciary. There's a number of ESL issues in western Nebraska. Could that be something that you could sit down and think about together with the other... [LB283]

RANDY SCHMAILZL: Well, hopefully it would be, yes, we could sit down and think about it together, and hopefully it would not be a proponent/opponent... [LB283]

SENATOR ASHFORD: Right. [LB283]

RANDY SCHMAILZL: It would be a concentrated effort in support of whatever change has been presented, and if the statute needs to be changed, then it could be presented by the association, or you know, instead of just by Metro Community College and Senator Cornett. [LB283]

SENATOR ASHFORD: Right. Okay. [LB283]

SENATOR ADAMS: Anyone else have a question? Senator Haar. [LB283]

SENATOR HAAR: Yes, thank you. So really what that would...changing these REU definitions changes that factor in the formula called need. [LB283]

RANDY SCHMAILZL: It could, um-hum. I mean, because I'm...some might...some may go up, some may go down, so...but it could change it; yes, Senator Haar. [LB283]

SENATOR HAAR: Um-hum. So, well, I have a son at Southeast Community College

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who teaches physics. And would that affect his ability to teach or the college's bottom line or? [LB283]

RANDY SCHMAILZL: No. It, you know, the dollars appropriated for that class and the equipment, it would not affect. It's really, you know, how the REU is used in the revenue calculations that is affected in the funding formula. [LB283]

SENATOR HAAR: Okay, thanks. [LB283]

SENATOR ADAMS: Anyone else? Yes, Senator Giese. [LB283]

SENATOR GIESE: Senator Adams, thank you. Mr. Schmailzl, so currently what we have in place benefits the rural community colleges because of the reimbursements associated with that. So would this then, in essence, create a shift and that would balance that out a little bit more? Is that what we're looking for? [LB283]

RANDY SCHMAILZL: You know, no, it doesn't. I don't think it really benefits the rural. I'd hate to, you know, paint the picture like it does that, because there's as much need for developmental education in the rural sector and ESL. But what it does is it acknowledges the fact that a college like Metro Community College has a little...although its mission is trades, its mission is also to provide education to all levels of the community, and that the importance of this education is then modeled through revenue. Because right now, it's never been...this is something Metro has assumed. I mean, it is in the third level of our mission, but we assumed it based on the need in the Omaha area. And this was one of the reasons the K-12 initiative came up last year with hard-to-educate students, and it takes more time and more resources to educate, because when they finish the high school, they sometimes go on to Metro. And so I'd hate to...this is not a rural/urban/suburban phenomena. It's a statewide. [LB283]

SENATOR ADAMS: Senator Ashford. [LB283]

SENATOR ASHFORD: To that point, I mean, I think at Western, 17 percent of Western's student body is Hispanic, so most likely they have ESL issues as well. I mean, it might be very appropriate that they are weighted higher than a normal transfer course. I mean, it would seem like that would be something that...now I'm not...that would seem to me that would be something that people could sit down and... [LB283]

RANDY SCHMAILZL: Well, the buying of welding equipment occurs on a one-time basis and then there's replacement worked in over the years, and you hire an instructor and you have a facility. This type of education is ongoing, and it continues to go up and up and up in terms of enrollment and need. And we're struggling with, revenue-wise, trying to meet the expenses necessary to do this. [LB283]

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SENATOR ASHFORD: Thanks. I appreciate your candor. [LB283]

SENATOR ADAMS: Other questions? Randy, would you help me out with a couple of questions? First of all, this...the language of property attributable. I realize there may be an amendment coming forward working with the Department of Revenue. What's the rationale behind that portion of LB283? [LB283]

RANDY SCHMAILZL: On the current valuation versus the... [LB283]

SENATOR ADAMS: Right. Versus using certified taxable value. [LB283]

RANDY SCHMAILZL: I'm not going to be able to answer that probably as correct as I could if I called on somebody from the college that's with me. So I'd hesitate to give you my take on it because I may be wrong and steer you in the wrong direction, Senator. [LB283]

SENATOR ADAMS: Okay. That's fair. The discussion that we've been having here about REUs, Randy, that...in my opinion, when we talk about tweaking a formula or making it better, the focus tends to be, and I think properly so, on the needs portion of equalization. And that, to me, is an evolving thing because needs and K-12 needs and higher education are constantly evolving. And when we build a formula, what we are typically trying to do is to hone that picture of needs. And this, having a discussion about these REUs, to me, falls within the category of improving the needs portion of an existing equalization formula, and we ought to have that discussion versus moving away from equalization. [LB283]

RANDY SCHMAILZL: Yeah. This is an important discussion. [LB283]

SENATOR ADAMS: Okay. Are there any other questions for Randy? Thank you then, Randy. [LB283]

RANDY SCHMAILZL: Yes. [LB283]

SENATOR ADAMS: Other proponents? Opposition to the bill? [LB283]

DENNIS BAACK: Senator Adams and members of the Education Committee, for the record, my name is Dennis Baack, B-a-a-c-k. I'm the executive director for the Nebraska Community College Association, here to appear in opposition to LB283. Now let me clarify that. We're not in opposition to having the discussion because we certainly have had that discussion, and the CEOs and I have been discussing this over the last couple of years. And quite frankly, had the economic situation of the state been better this year, my guess is we probably would have been here as an association with some kind of a bill dealing with remedial and foundations education, and asking for funding from the

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Legislature specifically for that purpose, because they are...those costs and stuff are increasing dramatically for the community colleges. And the need is increasing dramatically so we would have probably been actually talking about some specific funding for this. The reason that I'm going to talk in opposition to it right now is because one of the things that we are very cognizant of is our role and mission, and we talked about that a little bit before in my testimony, and we believe very strongly in that. And that's...if you look at the history of how these weightings came about, they came about because of our role and mission. Our role and mission was established in the early '90s and put into statute, and at the same time the Legislature was talking about granting authority for doing transfer education at community colleges. And as part of the deal to give transfer education to community colleges, they wanted to put a weighting into our formula to make sure that we didn't just all go to transfer education, and we stayed with our first role and mission and still did the technical education. And that's why that came into play, so it actually was phased in. Some of the colleges were allowed to do transfer, some of them not for a few years, then it slowly, slowly evolved to where they do transfer. I think every campus does transfer except for Milford now, in Nebraska. Milford doesn't do transfer education but all the rest of them do. We just hope that we don't deemphasize the technical education. And the fear is, is that if you start including these other things in those same categories, you do start to deemphasize the technical education side of it, and we don't want that to happen. Quite frankly, if you look at, especially, foundations education, and you start saying, okay, well maybe that ought to be weighted at 1.5 more so than a transfer college course, what you're in essence saying is a noncollege level course is going to be weighted higher than a college level course because remedial education stuff is noncollege level courses. This is to get people up to speed to be ready to go into college. That's what the remedial courses do. Now I know they're expensive, and all of the colleges have exactly the same issues that Metro has with the expenses and stuff that are involved with the ESL and the remedial education. They all have those same...the same issues. Metro has more of them because they do have a good share of the remedial education, there's no doubt about that. And it's probably an issue that we do need to address, but I think we need to address it in a fashion that we maybe even need to be thinking about whether or not we need to have a 1.25 category or something...some other category even that this education fits into that will make more sense than just putting it into the same categories with the occupational education. Because under this theory, you could have a person...if you look at the class 1.0, the class 1.0 kinds of classes which are academic support classes, which mean that a person in an electronics program has to take a certain math course or something--that's called an academic support class--well, he could be in the same classroom with a person taking a math academic transfer course. And the person taking the math academic transfer could be weighted at 1.5 and the person taking academic support be 1.0, and it's exactly the same class. I mean, those are some of the things that you could run into if you start putting academic transfer in all the different areas. And I know there have been a number of questions about how this system works, and I'm just going to walk you through real quickly how we go about doing this.

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Each year, usually in May or June, the chief instructional officers get together and they sit down with the master course book, which is about that thick and it has every course in it in the state. And they start through that book and making sure that the courses are weighted in the right categories. They talk about the different categories and stuff, and then they make sure that everybody's weighting is exactly the same. They look at all that. And any changes they have for that, they then recommend that to the FTE REU audit committee. That's the committee that will make those final recommendations. And that committee is made up of all the chief instructional officers plus all the chief business officers, because there are certain aspects to audits and stuff that the business officers look at and certain changes in state law that the business officer will look at that need to be in our audits or the FTE REUs each year. They will then make those recommended changes to the CEO's council, and that's made up of the six presidents. And those six presidents will review those and look at those, and then those...they will make a recommendation then to my board which is the NCCA board, which is made up of two members from each of the areas. And my board makes the final approval on those course weightings. So that's how it works. It's just a very structured process. We go through it every single year, and then we put out an FTE REU audit guidelines, and then those guidelines go to the areas. The areas...each area is audited by independent auditors on their FTE REU counts under all the same guidelines so that we make sure everybody is doing everything exactly the same. And we do that because it does have a place in the formula and it does need to make sure that everyone is reporting the same. So that's the process that we use. Is this something that we need to have an ongoing discussion of? Absolutely it is. We've got to figure out how we deal with the remedial and the foundations education. That was given to the community colleges a number of years ago with no additional funding. It just was given as our responsibility. And we try to take that responsibility seriously and I think they all have, and we continue to provide the service. But it's a very expensive service for us to provide, and at some point in time we will be asking the Legislature for more dollars to be put into it. If we were to make the shift without any additional dollars being put in, it would shift around some of the dollars within the formula. There's no doubt about that. How, the exact shift, I don't know. I can't tell you that for sure. But there would be some shifting around in the formula. So we're open to the discussion, but we just don't feel that we should be specifying in law that transfer education can be weighted the same as the others because we think it de-emphasizes our technical education. With that, I'd be happy to answer questions. [LB283]

SENATOR ADAMS: Senator Haar. [LB283]

SENATOR HAAR: Thank you. In some ways, what we've heard today then is, at least with Metro, there's been a mission creep. I mean we can't criticize you for following the mission that you're given in the law, but it sounds like maybe at some future date or time we're going to hear about, you know, looking at the mission again of community colleges, because I hear what they're saying at Metro that, you know. [LB283]

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DENNIS BAACK: Yeah, if you look across the state...and I think in the last year that we did the analysis, about 77 percent of our students are in occupational technical education; about 23 percent are in transfer education. That's what it comes out at this year. And it's slowly changed over the years, but I think when I first started on board it was about 81 or 82 percent technical, so it's gone down about 4 percent in 15 years. So that hasn't changed dramatically. We still put our emphasis on the technical education. [LB283]

SENATOR HAAR: And what are those numbers again? [LB283]

DENNIS BAACK: This year, the current year--or the last year--it would have been last year's numbers would have been 77 percent were in the technical field and 23 percent were in the...now that varies by area, of course--each of the areas. But that's the statewide numbers that have that. And it slowly has changed a little bit. There's been slowly a little bit more transfer education and a little bit less vocational, but not a whole lot. [LB283]

SENATOR ADAMS: Other questions from the committee? Seeing none, thank you, Dennis. [LB283]

DENNIS BAACK: Um-hum, thank you. [LB283]

SENATOR ADAMS: Is there other opposition to the bill? [LB283]

JACK HUCK: (Exhibit 2) Chair Adams, members of the committee, my name again is Jack Huck, H-u-c-k. I'm president of Southeast Community College and here representing Southeast today in regards to LB283. I really have two pathways I'd like to explore briefly with you. One is on the side of process, and one is on the side of product as it relates to this bill. On the process side, I would just say to you, in my capacity as president at Southeast, if I ever bring legislation to you individually or as a committee on behalf of Southeast Community College that has not traveled the process of working through the Community College Association, I hope you will show me the doorway and invite me to discuss that with someone else. I will tell you, as a member of the CEO's Council of the Nebraska Community College Association, this bill has had no discussion as it exists in front of you among the six community college presidents. That relates to the current circumstances, again, that we find ourselves in related to the relationships between the community colleges right now, I am sure. But still for me, that is a process issue which I hope you will pay some attention to in your deliberation about this proposed legislation. Certainly, it does not reflect any input from any of the other five community colleges other than Metropolitan. On the product side, I would say to you or at least offer to you a couple of different viewpoints. Before my 15 years' service as president at Southeast, I spent 12 years as the chief instructional officer of the

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institution. During those 12 years, I was a member of the FTE REU audit committee which has been shared with you today as the oversight group to implement this particular legislation. I would have to say to you, and maybe it's just the deficit on my part, but I would have great difficulty if I were a member of that committee today ascertaining exactly how a course should be rated when it's eligible for all three different ratings. The guidance that you provide that committee today in legislation makes pretty clear what the criteria for each of the categories is. I always found that very helpful as a member of the committee that made those decisions. If I were faced with the scenario that it could fall into any of the three, then it seems to me I become subject to lobbying, whatever you might call it--pressure, etcetera, of some kind, reason--whatever you might call it, to help me decide which one it falls in. But the really interesting thing about that is, no matter what the conclusion about which category it falls in, at the end of the day, because we all count it the same, it really doesn't make that much difference. This is not an opportunity to count it as a 1.0 for one college and a 1.5 for another and a 2.0 for another. It really still would dictate that we all count it the same. And once we all count it the same, I would say to you the net effect at the end of the day of those mental processes is very little difference. And when I analyze that and then ask myself, so what could be the interest? What's the possible interest in bringing this legislation forward as a single entity? I stumbled upon an interesting set of statistics that I at least wanted to share with you. I'm not sure I know the conclusion but I would like to share these with you. And you've actually talked about this topic in some of your earlier questions and testimony. This is a very simple chart. It takes the total number of reimbursable education units, REUs, for each college for last year--the audited amount for last year--and it gives you three bars for each college. The first bar is the number of reimbursable educational units at that institution that were weighted at the 1.0 level. The second bar is the number of REUs at each institution rated at the 1.5 level, and the third bar is the number of REUs at each institution weighted at the 2.0 level. I would suggest to you that a college who is consistent with the expectations of role and mission expressed in statute would have, if you would add the bar to the right and the bar in the middle which are the vocational-technical programs, the sum of those two bars ought to be consistent with the role and mission expectations expressed by this committee and the Legislature. I think Dennis Baack gave Senator Haar a response of 70-some percent to 20-some percent is about the ratio. If you add those up statewide, I suspect that is where you would come out. You can see it's significantly different from college to college. And Senator Haar, I think you suggested maybe Metro has experienced, I believe you called it mission creep. I would suggest to you that there is not mission creep. I would suggest to you that there are individual decisions that each college makes about where it's going to spend its resources on which part of its mission. And these three bars show you the choices that each of us make individually about which part of our mission is going to garner which part of our resources. I would never presume to judge for you that one bar is more important than the other or somehow, you know, you make judgments about that. I just think it's very interesting information in regard to what the interest might be in opening up what were formerly 1.0 REU courses

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to be now available to a wider spectrum. Again, my final analysis is, I'm not sure it makes that much difference, because if we all weight them the same at the end of the day, it really doesn't create that much of a change. I appreciate again your indulgence in listening to my thoughts on the subject. Thank you very much for your time. [LB283]

SENATOR ADAMS: Thank you, Jack. Are there questions for the testifier? Senator Haar. [LB283]

SENATOR HAAR: Yes, thank you. Any idea...now you said at the end of the day it probably wouldn't make that much difference. But it would make a dollar difference, wouldn't it? [LB283]

JACK HUCK: Well, it may or it may not. It probably does, depending on the assumptions you want to make about how many courses in that first bar shift to a higher weighting level. If you happen to be a college that has more emphasis in that area and some of those shift, then there would be a bigger shift in your favor than if you were having less emphasis in that area. So I think it could result in that outcome. Yes, I think that's an accurate analysis. [LB283]

SENATOR ADAMS: Are there other questions? Senator Ashford. [LB283]

SENATOR ASHFORD: This is helpful, but what I'm hearing Metro sort of say is that they have taken on a larger mission, not so much...obviously choice enters into every...enters into this across the board, but a lot of it has been thrust upon them: the city, the demographics of the city, the needs of the community, and so forth and so on. Yeah, you're right, they have to make the shift themselves, but...so Omaha is a different place than Lincoln, Lincoln is a different place than Scottsbluff and so forth and so on. Maybe I'm hearing this wrong, but what I seem to be hearing is that some of those courses that are in the 1.0 area--and I am obviously a novice by a long shot compared to your experience in this area--is reflective more of this change in not so much choice, as it is necessity really, almost. And that that should be something that should possibly be reflected in evaluating those courses. That's sort of what I'm hearing, Dr. Huck. I mean, would that be a fair... [LB283]

JACK HUCK: Yes. I think that's a fair assessment, and I would agree with that. I would also say to you that if the six colleges were working together in the sense that the association traditionally has worked, my guess is that we would brainstorm a number of alternatives for addressing that particular issue. And who knows? We might even come up with a better way to address it than the one that's in front of you. We haven't had that opportunity, as six colleges, to do that. [LB283]

SENATOR ASHFORD: And that is something you'd like to do. [LB283]

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JACK HUCK: It's something that we have very much wanted to do. We have all expressed--let me use developmental as an example, and Randy did that too--we've all expressed our desires to be recognized for the role we play in developmental education. I think it would be wonderful if you would have proposed legislation in front of you representing the interests of all six community colleges. [LB283]

SENATOR ASHFORD: Yeah, I mean, it would be great to be able to reflect that in funding; to be able to adequately or to appropriately fund developmental courses which are clearly on the rise--and for everybody. [LB283]

JACK HUCK: That's right. [LB283]

SENATOR ASHFORD: Thanks. [LB283]

SENATOR ADAMS: Any other questions? Thank you. Is there any more testimony in opposition? Neutral testimony? Hearing then...oh. [LB283]

MARSHALL HILL: I'll be very brief. [LB283]

SENATOR ADAMS: All right. I was probably being too quick. [LB283]

MARSHALL HILL: I'm sorry. I apologize. I'd just like to address two points...this idea of mission creep of community colleges. I would encourage you rather to characterize that as growing missions. As our society has changed, the number of issues arise that someone must address, and the community colleges have gotten more than their fair share of that over a long period of time. Community colleges actually didn't used to be called community colleges, as you know. They often were called junior college if their function was to do the first two years for students who would then go on to a senior institution, and in many states you have vocational-technical colleges, called that, or technical colleges. So taken as a whole, around the nation it's an evolving system. Our community colleges here in the state all are charged to be, in statute, or charged to be comprehensive community colleges, and they carry out these broadening missions, which frankly, have been embraced in Nebraska relatively late as far as the nation has advanced. My second point comes down to these reimbursable educational units and the general concepts behind them. Almost all formula funding systems attempt to balance two things when they try to weight different activities. One, they're either after trying to provide an incentive for things you want to have happen, or secondly, they're trying to reimburse an institution for actual costs. For example, everyone understands in a university system that it costs far, far less to teach freshman English than it does doctoral level electrical engineering. In the Texas formula system with which I'm most familiar, the weighting for freshman English is 1. The weighting for doctoral level electrical engineering is 28. We here in Nebraska have within our community college funding system only three slots into which to put a growing number of courses and

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types of activities. So that's the one issue. But the essential challenge then is whether you are seeking to reimburse colleges for the costs they incur to carry out their missions or whether you're trying to use a formula funding system to encourage them to do something in particular. For example, many states see that they have a nursing shortage, so in their formula system they have decided, irrespective of what it costs to educate a nurse, we're going to provide a very high reimbursement for nursing education in order to encourage institutions to enroll and graduate and educate more nurses. So your discussion here today I think has shown that there is sometimes a conflict between those two general concepts of trying to reimburse institutions for differential costs and trying to encourage them to achieve their missions. [LB283]

SENATOR ADAMS: Thank you, Marshall. Are there questions? Yes, Senator Ashford. [LB283]

SENATOR ASHFORD: Does this equalization model, where the legislatures across the country, in creating a needs formula, give higher...the reimbursement rate to things like nursing, for example? [LB283]

MARSHALL HILL: Yes, they do. [LB283]

SENATOR ASHFORD: And that's not uncommon, is it? [LB283]

MARSHALL HILL: No, it's a need...it's very common. The general presumption is you are attempting to reimburse actual costs. [LB283]

SENATOR ASHFORD: Is that a legislative...usually legislative...like it is in the state aid formula? Is that, for K-12, is that generally a legislative policy decision? [LB283]

MARSHALL HILL: The way it happens in most states is quite similar to what has been described to you here. The institutions themselves do some analyses of their actual costs. Working together, they come to some agreement about what types of courses fit within those different bands of cost. They recommend that funding structure, in many cases through a coordinating agency--we are not involved in that process here in this state--but they would make those recommendations to you. So what is done here is really quite common. [LB283]

SENATOR ASHFORD: But are coordinating commissions across this country generally involved in those discussions or oftentimes involved in those discussions? [LB283]

MARSHALL HILL: Yes, sir, many are. [LB283]

SENATOR ASHFORD: Not here. [LB283]

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MARSHALL HILL: Not here. [LB283]

SENATOR ASHFORD: Okay. And then lastly, the idea of equalizing state aid on a needs-based formula. Is that a common way to deal with community colleges across the country? Uncommon? [LB283]

MARSHALL HILL: It's very common. I believe you'll see in that document I provided earlier--I can't recall if you were in the room--there is a list of the way states provide funding for their community college systems, characterized by three types of revenue: tuition and fee revenue; local appropriations--that is local property taxes; and state appropriations. You'll see that every state provides some degree of funding for its community college system. And in...I don't know of a case where that does not involve some recognition of trying to equalize funding. [LB283]

SENATOR ASHFORD: And how many of those states, do you know, involve...utilize a coordinating commission to... [LB283]

MARSHALL HILL: I cannot answer that, but... [LB283]

SENATOR ASHFORD: Can you give me that information? [LB283]

MARSHALL HILL: I will get some information on that provided to you. [LB283]

SENATOR ASHFORD: Okay. That's all I have. Thank you. [LB283]

SENATOR ADAMS: (See also Exhibit 6) Are there other questions? Thank you, Marshall. Is there any other neutral testimony? Seeing none, then we will close the hearing on LB283 and move right into LB299. Senator Harms. [LB283]

SENATOR HARMS: My name is John Harms, J-o-h-n H-a-r-m-s. Senator Adams and colleagues, LB299 simply adds a member representing the fire safety to the Nebraska Safety Center Advisory Council. When this council was created in 1978, it was the legislative intent for someone from the fire safety to be a part of this. Let me read to you the legislative intent, and I quote--this comes from 85-1001. And I quote, "The Legislature finds and declares that there is a vital need for increased training and research activity in the fields of traffic safety, domestic safety, industrial safety, fire safety, and recreational safety and that this activity can best be achieved by utilizing the facilities of an institution of higher education." Now that law goes on and talks a little bit about where it's supposed to be located and what institution should take control of that. And then if you go back further in this bill, or this law, you will find, on 85-1008, you'll see the listing of the people who should be on this advisory council. And what's interesting to note is what the intent is. Someplace in the process of the intent and actually making that transfer over, it got lost. So that's what we're here to clear up, and

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that's what this is: basically a fairly simple bill. I'm not sure really what happened to that, but I know that Gordon Brooks who is the director of the Nebraska Safety Center is here and probably can give you a lot more information. The Fire Marshal has been serving as a guest, and it really isn't appropriate to have that done. It probably should be listed. So I would answer any questions. I'm not sure I can answer everything, but I'd be happy to at least try, Mr. Chair. [LB299]

SENATOR ADAMS: Thank you, Senator Harms. Are there questions? Senator Howard. [LB299]

SENATOR HOWARD: Thank you, Mr. Chairman. Not so much a question. It's nice to see there's no fiscal note. (Laugh) Thanks. [LB299]

SENATOR HARMS: Yeah, I'm really glad to see that myself. I'm on the other end of this, trying to...we're trying to match this stuff up, so. [LB299]

SENATOR ADAMS: Are there other questions for Senator Harms? [LB299]

SENATOR HARMS: Thank you, Senator Adams. I, because of where we are in our budgeting, I probably will not stay to close, so thank you very much. [LB299]

SENATOR ADAMS: Thank you, Senator. Proponents to the bill? [LB299]

GORDON BROOKS: Good afternoon. My name is Gordon Brooks, G-o-r-d-o-n B-r-o-o-k-s. I am the director of the Nebraska Safety Center, it will be two years next Monday, and I'd be glad to answer any questions you might have about this bill. [LB299]

SENATOR ADAMS: All right. Committee, specific questions? It looks like you're really going to get let off, if you came all the way from Kearney to answer questions and there aren't any. [LB299]

SENATOR HOWARD: You should have a formula. [LB299]

SENATOR ADAMS: Yeah, you should have brought us a formula. Yes, Senator Haar. [LB299]

SENATOR HAAR: Thank you. Since I'm a new person, educate me just a little bit about what the Nebraska Safety Center does. [LB299]

GORDON BROOKS: Yes, sir. The Nebraska Safety Center serves four purposes for our state. We provide safety education; we lead safety education research; we partner, team, or otherwise collaborate to extend the good safety education efforts in the state; and we also...the fourth function is to articulate teacher safety education for the state. I

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serve on multiple committees. We have a staff of 80 personnel, seven full-time people within the University of Nebraska at Kearney, and then the balance of the workers are part-time instructors who teach within traffic safety, mine safety for our aggregate sand and gravel operations in that state. We have partnered with the Nebraska College of Technical Agriculture on some agricultural safety issues...and I could go on for days. [LB299]

SENATOR HAAR: Sure. But just out of curiosity, an example or two about the kind of research you carry out. [LB299]

GORDON BROOKS: We just completed some agricultural transportation research and published a document. It's been presented a couple of places in Iowa on ATV safety specifically related to agricultural use of the ATV. We also, in conjunction with that grant, did some economic impact statements of the transportation, the trucking industry, regionally, and those papers were presented in Las Vegas. At present, we're not...well, we're constantly doing research but there are no formal projects that I can speak to. [LB299]

SENATOR HAAR: Okay. Thank you. [LB299]

GORDON BROOKS: Yes, sir. [LB299]

SENATOR ADAMS: Any other questions? Thank you sir, for your time. [LB299]

GORDON BROOKS: You bet. Thank you, sir. [LB299]

SENATOR ADAMS: Are there any other proponents? Opponents? Neutral testimony? Hearing none, then we will close the hearing on LB299 and move on to LB103. You're up. [LB103]

SENATOR HOWARD: Thank you. Senator Adams, welcome to the Education Committee. [LB103]

SENATOR ADAMS: Thank you, Senator Howard and members of the Education Committee. The bill that I'm introducing today, LB103, is really a two-pronged bill. First of all, let me back up for just a second. And I know that the Coordinating Commission and Marshall Hill is here that can better explain, but currently the Coordinating Commission for Postsecondary Education, when they're...part of their mission is to coordinate programming. And as part of that, they're going to look not just specifically at curriculum across our postsecondary world, but they're also going to look at construction--facilities that are going to be used to implement those programs across our college campuses. In statute, currently, they are given the authority to review and, in some cases, approve construction projects within our postsecondary campuses:

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community college, state college, university system. The first category that I want to describe to you is one where if...I'm going to use an example if I understand it correctly. You have a dormitory that's been created on a campus and they're collecting room and board, and a portion of that money is going into a surplus or a replacement fund for that building. If...currently, if the state colleges or if the universities want to access those surplus or replacement funds and use them for additional renovation or construction, if the project that they want to do exceeds \$500,000--that's the threshold--then the state college or the university needs to come before the Coordinating Commission for review. Not approval, but review. And the intent is that, first of all, we want to see how this building project fits within the scheme of the postsecondary environment. But secondly, in addition to state building codes or local building codes, we, as the state of Nebraska, as a state have certain codes that exceed local building codes. So the Coordinating Commission is going to review the plans for this renovation or expansion to determine if it falls within the program necessity, but also to make sure that the building meets those state building standards--the state of Nebraska. What the bill would do would be to raise the threshold from \$500,000 to \$1 million. So if the bill were to pass, quite simply it would mean that if the project from the replacement or surplus fund is going to exceed \$1 million, then the project would have to be reviewed by the Coordinating Commission. And by the way, at this level the Legislature must approve the action. It is not...all the Coordinating Commission is doing is reviewing. The Legislature would have to approve. The second tier...and the simple way for me to describe it is new construction. Now we're not dipping into any replacement funds it would be my understanding at this point, or surplus funds, but rather this is a brand-new project that will require tax funds to build it, and appropriations. Again, the threshold...and, by the way, on this one, for this particular category it is university, state college, and community college are in this category. In this category, if the project is going to require in excess of \$500,000 in tax dollars or the expenditure for operation of this project is going to exceed \$75,000, then the Postsecondary Commission has to review and approve the project. What this bill would do would be to raise the threshold from \$500,000 of tax dollars to \$2 million, and the expenditure for operations and maintenance threshold from \$75,000 to \$85,000. If it meets those categories, then the Postsecondary Commission has to review and approve. With that, I'll field questions and I will tell you quite candidly there are people here that have more expertise on this issue than I do. I would also tell you that since the introduction of this bill, there are some folks here today, some that will like certain portions of it, some that don't like certain portions of it. And we can continue that dialogue to see if there is some common ground here, but I'll let those folks express their opinions. [LB103]

SENATOR HOWARD: Okay. Do we have questions for Senator Adams? Well, I...Senator Avery, go ahead. [LB103]

SENATOR AVERY: If you want to go, it's all right. [LB103]

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SENATOR HOWARD: Well, mine is just a very basic. It sounds like this is an update based on the need to kind of keep current with the cost of things. Is that the fundamental... [LB103]

SENATOR ADAMS: That was my understanding when the bill was brought to me. That's correct. [LB103]

SENATOR HOWARD: When was this put in place? How long (inaudible)? [LB103]

SENATOR ADAMS: I believe it was 2006 was the last time it was amended. [LB103]

SENATOR HOWARD: Okay. Thank you. [LB103]

SENATOR AVERY: That's somewhat similar to my question. Thank you, Madam Chair. I was curious about the origins of this. It looks like it would be noncontroversial. My experience here is that there is no such thing. (Laughter) [LB103]

SENATOR ADAMS: In education...maybe we just start one with Senator Harms. But my experience is that in education there's always the other side and the other side and the other side. Yes, you're right, and I think you're about to hear that when I sit down. [LB103]

SENATOR AVERY: Okay. [LB103]

SENATOR HOWARD: All right. Thank you. And the supporters? [LB103]

REBECCA KOLLER: (Exhibit 3) Mr. Chairman, members of the Education Committee, my name is Rebecca Koller. That's R-e-b-e-c-c-a K-o-l-l-e-r, and I am the director of facilities for the University of Nebraska System. I am here today to testify in favor of LB103 and would like to thank Senator Adams for introducing the legislation. By way of background, President Milliken employed a consultant to review the policies and procedures of the university's capital planning and procurement program. The goals of the review were to improve the Board of Regents' oversight on programs; the campuses' performance in capital construction; the objectivity and fairness in our selection processes; the use of Nebraska firms for design and construction; and the stewardship of public resources, particularly in the areas of cost and time. The outcome of that process was revisions of policies that were approved by the Board of Regents in November 2008. One of those approved policies is an increase in the threshold for projects requiring Board of Regents approval from \$500,000 to \$2 million. The intent of the change is to focus the board's oversight on major projects and to move towards more efficient and effective project delivery. The Regents are fully aware of the need of Coordinating Commission approval of projects utilizing state tax dollars, and approved the policy with the caveat that those projects requiring Coordinating Commission review

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would continue to need approval of the Board of Regents until such time legislation was passed, raising the threshold. In addition, after meeting with the Coordinating Commission staff, university administration agreed to lower the limit for board approval of revenue bond projects to \$1 million, and we will make appropriate changes to university policy upon the outcome of this legislation. The bill before you contains three changes, and I'd like to address those changes from the smallest to the largest. First, the bill raises the threshold for Coordinating Commission review of requests for operating and maintenance funding from \$75,000 to \$85,000. This change reflects the current threshold and is merely an update to the statute. Second, the bill raises the threshold for Coordinating Commission review of revenue bond projects from \$500,000 to \$1 million. These projects include, as Senator Avery described, student residence halls, unions, parking structures, and in some cases athletic facilities. Typical projects the board would see include such things as resurfacing parking lots, reroofing buildings, or replacing furniture, and the \$1 million threshold proposed by the Coordinating Commission staff will allow those projects to proceed in a quick and efficient manner. Third, the bill raises the threshold of Coordinating Commission review of other capital construction projects to \$2 million which matches the current Board of Regents' policy. These projects include renovations and additions to academic and research buildings, as well as new buildings funded by state tax dollars, such as the College of Nursing on the Lincoln campus, currently in the university's capital budget request. The primary issue this legislation addresses is that of time. The average length of time added to a project requiring Board of Regents' approval is three months. While the current bidding climate is favorable, we have experienced 5 to 8 percent construction inflation per year. So not only do we incur costs in lost time; depending on schedule, we may incur costs for inclement weather, and in the worst cases as we recently experienced at UNL, the loss of a valuable researcher. Raising the Coordinating Commission's threshold to match the university's, allows those time-sensitive, small projects, such as a lab retrofit for a newly recruited researcher, to proceed expeditiously. As our research enterprise grows, we are hopeful that we will be able to adapt our facilities to stay on the cutting edge. Passage of this legislation will help the university meet that challenge. Thank you. I'd be happy to take any questions. [LB103]

SENATOR HOWARD: All right. Do we have questions for Ms. Koller? Good. Yes, Senator Avery. [LB103]

SENATOR AVERY: Thank you, Madam Chair. Welcome. [LB103]

REBECCA KOLLER: Thank you. [LB103]

SENATOR AVERY: Just briefly, what is the rationale for having the Coordinating Commission review and approve these projects in the first place? [LB103]

REBECCA KOLLER: I believe that when the Coordinating Commission came into being

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in 1992, they served as the oversight for the university, as opposed to the Department of Administrative Services, which serves as the oversight for capital construction for other agencies. [LB103]

SENATOR AVERY: But we have a Board of Regents. [LB103]

REBECCA KOLLER: We do. [LB103]

SENATOR AVERY: Is this intended to be an additional oversight? [LB103]

REBECCA KOLLER: I wasn't here, Senator Avery, in 1992. I assume that that is the case. [LB103]

SENATOR AVERY: Do you know of any projects that have been reviewed and not approved by the Coordinating Commission? [LB103]

REBECCA KOLLER: Not in the ten years I've been at the university. [LB103]

SENATOR AVERY: So it may be an unnecessary function. [LB103]

REBECCA KOLLER: I... [LB103]

SENATOR AVERY: I'm not asking for an opinion; that was mine. Thank you. [LB103]

SENATOR HOWARD: Any other questions? Thank you. [LB103]

REBECCA KOLLER: Thank you. [LB103]

DENNIS BAACK: Senator Howard and members of the Education Committee, for the third time today my name is Dennis Baack and I'm the... [LB103]

SENATOR HOWARD: Welcome. Welcome back. [LB103]

DENNIS BAACK: Thank you. That's spelled B-a-a-c-k. I'm the executive director of the Nebraska Community College Association, here to speak in support of LB103. I think Ms. Koller has done an excellent job of laying out what the issues are, and we have basically the same issues and the same things we deal with--construction and projects--as the university does. So with that, I would hope that we would just maintain this at the same level for all of us. We've always all been at the same thresholds, and I think it makes sense to keep us at the same thresholds. And Senator Avery, in response to your question...I mean, one of the things that we have found over the years as we take projects to the Coordinating Commission, they do make excellent suggestions at times, and they have asked us to make adjustments in what we do and

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we've had a good working relationship with them. So it's not an adversarial relationship at all, but they have made some good suggestions and stuff as we go along. [LB103]

SENATOR AVERY: I do remember the...oh, I'm sorry. I was just going to carry on my conversation. May I respond to that? [LB103]

SENATOR HOWARD: I think Senator Avery has a question. [LB103]

SENATOR AVERY: I do remember when the Coordinating Commission was first set up, and it seems to me that I recall it was to provide this overarching view of all of higher education. I have become to think, though, that it might be an unnecessary third level or whatever level it is. [LB103]

DENNIS BAACK: Well, I don't know that I'd agree with that. I think that, you know, I mean, we have in...we tend to take our projects very early to the Coordinating Commission, even many times before our boards have looked at a facility or something, so that we get their input early on, and stuff, so that our boards know that the Coordinating Commission is probably going to be okay with the things that they improve, and stuff, before we ever get there. So I just think it's just another set of eyes that are looking at what we do. And there are some big expenditures that we make on facilities and stuff, and I think, you know, another set of eyes doesn't hurt the fact that, you know, we're making sure we're utilizing the resources properly, so. [LB103]

SENATOR AVERY: Well, I've been impressed with the research they do. [LB103]

DENNIS BAACK: Um-hum. [LB103]

SENATOR AVERY: But I have often thought that perhaps a lot of these other administrative functions were perhaps a little bit of overkill in terms of oversight. Anyway, that's all I have. Thank you. [LB103]

SENATOR HOWARD: Do we have any other questions for Mr. Baack? Looks good. Thank you. [LB103]

DENNIS BAACK: Thank you. [LB103]

CAROLYN MURPHY: (Exhibit 4) Good afternoon, Senator Howard and members of the Education Committee. My name is Carolyn Murphy, C-a-r-o-l-y-n M-u-r-p-h-y. I'm the vice chancellor for finance and administration for the Nebraska State College System. I am here today on behalf of Chancellor Carpenter who is at Peru State College today interviewing a finalist for the Peru State presidency position. Most of you may know that he has been serving in a dual capacity this year as chancellor and also as interim president at Peru State. I am providing copies of my testimony today for the record. The

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Nebraska State College System is supportive of LB103 as it was introduced. Chancellor Carpenter had conversations with the university staff before the bill came forward and indicated he would be supportive of the bill. The majority of our capital construction projects do exceed the threshold amounts proposed, and we believe that the proposed thresholds in the bill as drafted do provide reasonable levels based on the current construction market place. In addition, it's important for us to note that processes are in place for reviewing projects at the Nebraska State College System, very similar to the processes that you would find at the university. The Nebraska State College System contracts with outside architects and engineers, consultants for all projects. They're often the same consultants that work on projects at the community colleges or the universities. In addition to the consultants and the staff at each of the colleges that work on these projects, the system office does have a vice chancellor, Ed Hoffman, who provides review, oversight, and support for the projects. The processes in place for review are part of our board of trustees' policy and requirements which includes reviews and approvals at the various stages of the projects. Our projects that involve state funds are also reviewed by the State Building Division's architect, and if it involves 309 funding they're also reviewed by the 309 architect. We do want to note that the State College System is very appreciative of the efforts of Dr. Hill and the Coordinating Commission, the reviews that the staff do--and specifically Mike Wemhoff--complete in relation to our capital construction projects. We also understand that there may be a proposal to distinguish the various thresholds between the different sectors of higher education. In the past, there have not been different thresholds, and we would be strongly opposed to any review that's triggered by the sector of higher education at different levels, as opposed to the size of the construction project. And with that, I would open to any questions. [LB103]

SENATOR HOWARD: Thank you. Are there questions? Yes, Senator Avery. [LB103]

SENATOR AVERY: You are the vice chancellor for finance and administration for the Nebraska State College System, right? [LB103]

CAROLYN MURPHY: That's correct. [LB103]

SENATOR AVERY: Do the state colleges also have boards? [LB103]

CAROLYN MURPHY: The State College has a board of trustees. It's one governing board for the State College System. [LB103]

SENATOR AVERY: Okay, so you have that administrative layer, and then you have the NSCS of which you are a member. [LB103]

CAROLYN MURPHY: Well, yes; the Nebraska State College System. It is the board of trustees of the Nebraska State College System. [LB103]

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SENATOR AVERY: But each campus has a board? [LB103]

CAROLYN MURPHY: No. There is one board for the system which includes Chadron State, Peru State, and Wayne State Colleges. [LB103]

SENATOR AVERY: Okay. And then we have the other layer is the Postsecondary Commission? [LB103]

CAROLYN MURPHY: Correct. [LB103]

SENATOR AVERY: Okay. Thank you. [LB103]

SENATOR HOWARD: Any other questions? You did a great job. Thank you. [LB103]

CAROLYN MURPHY: Thank you. [LB103]

SENATOR HOWARD: Any other proponents? Opponents? [LB103]

MARSHALL HILL: (Exhibit 5) It's been a long afternoon, hasn't it, but an interesting one I hope. My name is Marshall Hill, M-a-r-s-h-a-l-l H-i-l-l, executive director of the Coordinating Commission for Postsecondary Education. I have asked Mike Wemhoff, who is our facilities' officer, to join me here. That's M-i-k-e W-e-m-h-o-f-f. I wish I were not testifying in opposition to this bill. I attempted to broker a resolution among the various sectors that we could support, but have been unable to do so. Let me...let me review for you a few points, respond to some questions that I've heard, and then tell you what we propose instead. First, in response to some questions. One of the commission's primary duties is to review these capital construction projects at all of the public institutions. This duty to us is spelled out in the..not only in statutes, but in the Nebraska Constitution. Our role in doing that is a very common role for coordinating boards throughout the country, and I'll remind you that 29 states have entities almost identical to ours and a number of others have different statewide boards who perform many of the same functions. Historically, the Legislature was also concerned about the oversight of the surplus fund and revenue bond projects submitted by the institutions. So as a result, the Legislature further charged the commission to review those surplus fund and revenue bond projects when they exceeded certain thresholds. The commission makes recommendations to the Legislature on those surplus fund and revenue bond projects that exceed the thresholds. So the consequence of a project not getting the review of the Coordinating Commission also carries the consequence that you do not get a recommendation from us as to whether or not it's appropriate. Senator Avery's question about whether this involves an unnecessary third level of review is a fair one. It's a reasonable one to ask from time to time. And I will say that virtually every state that has an entity like ours does think it's an important thing to carry out, mainly

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because there are differences of perspective. Each institution and its governing board is particularly focused on that institution and its contributions, its growth, its development. The charge of the Coordinating Commission is a broader one: a statewide perspective which has some important criteria to bring along as well. Senator Avery, your other question about, well, if the Coordinating Commission ultimately has approved all of the university's projects, what value do we add in the process? That indeed is another good question. About a year or so again, we sent to the Governor a response to that very question, and I'll send to the committee clerk a copy so that you each receive it. I asked my staff members to just think back, without doing a comprehensive review, but think back on projects that had come to the Coordinating Commission for which we negotiated a price decrease. That is they had been proposed and approved by governing boards at this level, and after negotiation with our staff it was presented for approval at this level. And the quantification of that dollar amount was in the multimillions of dollars. I also asked for a quantification of how much we had negotiated down operations and maintenance funding for projects brought to us for that approval. And as I recall, it was about \$1.5 million per year of funding from the Legislature, which coincidentally exceeds our operating budget. So our actions on O&M requests from the institution have saved the state enough to justify the existence of our agency in only that way. So LB103, as you've heard and had clearly explained, raises the thresholds relating to these two types of projects. We believe there are consequences to consider for that. In preparation for our testimony today, I asked Mike to review all of the projects brought forth in the last ten years. You have a document which enumerates those. You have three things. You have a copy of my talking points. You have a green sheet which summarizes the number of surplus fund projects and capital construction projects, which if LB103 had been in place for the last ten years, we would not have reviewed, nor would you have received recommendations from us on the funding. Following that is a list of those projects. Those are the projects which would not have received Coordinating Commission review nor for which you would have received recommendations. Now I want to say very clearly that the commission does support elevation of these thresholds. We do support elevation of these thresholds to deal with the issues you've heard. Construction costs are going up. It's only appropriate to periodically revise them upward. However, we don't support them as indicated in the current bill; that is, uniformly across all institutions. And the reason for that is that dollar amounts have different proportional impacts on different size campuses. A \$200,000 project is not as significant an expenditure; it's not as significant an allocation of an institution's resources at a small institution as it is at the University of Nebraska. For those reasons the thresholds would have greater proportional impact at our small campuses, and that's what leads us to oppose the bill as written. In fact, the thresholds that you see in front of you have the impact that the commission and the Legislature over the last ten years, were LB103 thresholds in place, would not have reviewed any of the surplus fund or revenue bond projects from Chadron State nor from Peru State College. Nor would we have had then the opportunity to review the institution's current fund balance. The proposed threshold amounts are larger, looking into the future, than

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each of those institution's surplus fund balances. So they could spend all of their surplus funds without the review of the Coordinating Commission or anyone else. Our concerns are not based upon the capabilities or lack thereof of any particular institution to review its projects, but really on us carrying out the directive that we are given by the Legislature to do that. Indeed, we support the thresholds, as indicated, as they would apply to the university and their projects. We have written and provided for you a proposed amendment for your consideration which would place some differentiation. And once again, it's not based upon our assessment of the professional capacity of any of the sectors to evaluate their projects; rather, on this differential impact of the size on small institutions. I would be pleased to respond to any questions you might have. If they're technical questions, Mike is here. Mike has reviewed every single project brought forward to the Coordinating Commission since its inception. He's been with us for 16 years. He is a licensed professional architect. He knows where all the bodies are buried with these issues. In contrast to an institutional person's review of whatever facility's change has happened on his campus, Mike has seen every one on every campus for the past 16 years. We do believe that that can provide some useful guidance to institutions as you've heard previously testified. Mike, do you have anything you would like to add? [LB103]

MIKE WEMHOFF: No, that's an excellent summary. [LB103]

MARSHALL HILL: Okay. We'll be pleased to respond to any questions you might have. [LB103]

SENATOR HOWARD: Thank you, Mr. Hill. Are there questions for these two individuals? [LB103]

SENATOR SULLIVAN: Senator Howard. [LB103]

SENATOR HOWARD: Yes. [LB103]

SENATOR SULLIVAN: I haven't looked at this very carefully and thoroughly, but I guess at first glance, when you look at...this is, I guess, my concern about the differentiation between a threshold that might be different for the University of Nebraska as opposed to the smaller institutions. When you're looking at capital construction, brick and mortar might be about the same whether you're a larger institution or a smaller one. So I have a little bit of a problem with differentiating between the two institutions. [LB103]

MARSHALL HILL: I think what we're trying to address is the, yes, the costs to...a \$2 million building is a \$2 million building regardless of the campus on which it sits. But it represents a larger or smaller commitment of institutional resources dependent upon the size of the campus, and that's the problem we're trying to address. There might indeed be other ways to do that, just by institutional size rather than sector, and we'd

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certainly be open to that as well. [LB103]

MIKE WEMHOFF: To give you a little bit of a perspective on the surplus fund side, as was mentioned, the \$1 million proposed threshold would exceed their current balances as opposed to the...at the upper end would be UNL where a \$1 million expenditure would be 10 percent or so of their existing surplus fund balance. So the ability of that institution to then further do additional projects in the future, are, you know...it could potentially be compromised if, you know, they were doing it to expend it, their entire balance. [LB103]

SENATOR HOWARD: Any other questions? [LB103]

SENATOR ASHFORD: Well, I just...you don't...your role is not to analyze these projects to determine whether or not they're needed, or is it? [LB103]

MARSHALL HILL: Yes, that is part of our role. [LB103]

SENATOR ASHFORD: So, do you analyze...if someone gives you money for a building, do you analyze what the cost will be to maintain the building? [LB103]

MARSHALL HILL: Our review comes into play if, for example, some benefactor provides the institution a building, and builds it, but yet the institution then requests the state provide ongoing operation and maintenance funding. That does call for commission review and we do review that and then make a recommendation on to you. [LB103]

SENATOR ASHFORD: And do you review it based on whether or not you need to take the money and carry on the maintenance even though the university is not involved in paying for it, for the construction? You do do that? [LB103]

MARSHALL HILL: Yes. Yes. We treat that as a request for state funding. [LB103]

SENATOR ASHFORD: Okay. [LB103]

MARSHALL HILL: There is a request for state funding for ongoing operation and maintenance, and if it exceeds a certain threshold amount, this \$75,000 threshold amount, that triggers our review. And by the way, we have no objection at all to the increase of that figure from \$75,000 to \$85,000. [LB103]

SENATOR ASHFORD: Okay. [LB103]

SENATOR HOWARD: Any other questions? Okay. Thanks for saving us money. [LB103]

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MARSHALL HILL: Thank you. [LB103]

SENATOR HOWARD: Any other opponents? Anyone in the neutral position. [LB103]

SENATOR ADAMS: I'm going to waive. [LB103]

SENATOR HOWARD: All right. And that will wrap up the hearings for today. [LB103]

SENATOR ADAMS: That does. That ends our hearings for today. [LB103]

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Disposition of Bills:

LB103 - Placed on General File with amendments.
LB283 - Indefinitely postponed.
LB299 - Placed on General File with amendments.
LB340 - Placed on General File with amendments.

Chairperson

Committee Clerk