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Appropriations Committee
February 05, 2014

[AGENCY 48]

CARNA PFEIL: (Exhibit 1) Thank you. Members of the committee, I am Carna Pfeil, C-a-r-n-a P-f-e-i-l, and I'm the interim executive director of the Coordinating Commission for Postsecondary Education. I want to start by thanking you for the \$11,000 that you provided for the payout for a retiring employee of the commission. That was...as you know, it's significantly less than what we originally asked for and that was a difficult time trying to arrive at the amount because it was a moving target. And I just want to say a special thank you to your Legislative Fiscal Analyst. Phil Hovis did a remarkable job. We had a spreadsheet that went like this and we had moving parts everywhere. And it just became almost impossible to get a handle on it. But Phil was exceptional; he was very helpful in everything we did. One of the things that we do need, however, is that with this \$11,000 we have vacancy savings and that's what took us a long time to figure out because we had people leaving and coming and it was just a difficult time. And we do have the vacancy savings and that will move into the '14-15 fiscal year. One problem we have is that when that moves into the '14-15 year because that looks like about the time that we're going to need it, we will not be able to actually spend that money because the Legislature sets the personal service limit, which is how much money you can spend on salaries of your whole budget. And while the vacancy savings moves forward, unexpended personal service limit does not. And so while we have the money, we won't be able to spend it. So I'm asking that you take a look at that. We will work with the analyst to figure out what's that appropriate amount. It's not an increase. It's just allowing us to spend what we already have. And once this year is finished, because this is a one-time thing, as we get to the budget where we are setting our '15-17 biennial budget, that will then be decreased to match what we actually are spending in salaries. So it's just a one-time thing and it's just authority to spend it. There are two other items that I'd like to address that I'd like you to consider, and one of those is the money to be able to search for a new executive director. And we are asking for about \$77,500, and that is to do a national search. And we think that's extremely important for this position. We have always looked nationally because this person does have a national...has to

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have a national view. And I will just mention our last executive director, Marshall Hill. He actually had been working on a piece of legislation or a piece of legislative work that has to do with on-line education. And he was the person who got that going, and it actually will save our institutions in Nebraska hundreds of thousands of dollars just because of the work he's done. So it not only is a national and he's saving money for the national institutions, but he's also saving it for Nebraska institutions. So we really feel it's very, very important to have that national search. As you will see in our write-up, it's expensive to do a national search. We have to look at those search firms that actually are doing this kind of work. I contacted three of them. One no longer is doing it. They aren't doing this kind of search. They're concentrating more on presidents for institutions. The other one is AGB, which is a well-known search firm, and their going rate for this type of search was \$60,000. And I didn't feel like I could come and ask you for \$60,000. So I negotiated with them and got them down to \$55,000. I still didn't think that...I just couldn't come and ask you for that. So there was another firm and this firm has only been around for about five years so fairly new in the process, but negotiated with the principal and she said if we would do some of the work, which is like we did when we hired Dr. Hill, if we would do some of the clerical work, the administrative work, she would do it for \$30,000. And so at this point we haven't agreed to that, but at least she is willing to do that. And we won't be able to sign an agreement until you would provide the funding for it. It's going to require our staff to put in some time because this is...it's kind of intensive. We will set up the travel to bring in candidates, and we will have to arrange for those candidates to have hotel and flights and organizing all the people to do the interviews. But we are willing to do that as part of our effort in this and trying to get a new executive director. Part of the other part of that request is that we will need some additional funds to advertise and for the expenses of bringing in those candidates. And then we usually provide, which is kind of a standard across the industry, we provide moving expenses and those kind of expenses for the person to come here to start working as the executive director. That is a whole one-time thing and that's about \$54,500 sort of rounded there, and that would be a one-time thing. So once we would get our executive director, that would not be something that's added to our budget. But

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there is a part that I need to talk to you about that would be added to our budget and that is the amount that we need to increase the salary. If you look on page 2 of the handout that I gave you, the experts out there say that our salary is below what would be the national average for this type of position. And so I've sort of done an analysis for you. I've given you the current salary. There will be...the Legislature has provided a 2.25 percent increase in salary starting in July. We don't think we'll get this person hired until maybe August. And so we would have that, but to get it up to the national average, we would need about \$17,000 plus about \$6,000 for benefits. And so that would bring us up to the \$190,000. If you look on page 3, it shows you that that would move us to about the midpoint. And I don't count Colorado because they are kind of an odd entity at this time. They are going through so many things and they really don't have an executive director. But the amount that we're asking for would bring us to the middle point of similar institutions like the Coordinating Commission. And I have one final request and that is adding to our staff. And this is for a community college specialist. It's the salary and benefits for that. We have been, and as you know, each...it seems like each legislative session we have accepted new responsibilities for the community colleges, and we've had little bits here and there. And each time we've asked for additional personnel, .5, .25, we've been adding some; and we really haven't gotten that. And at this point when we're adding a little piece this year and a little piece that...this year and this year and this year, at some point it adds to enough responsibilities where we need a person to do that. And this last legislative session, we asked for a...I think a .5 or maybe even more than that. And it was because all of these things were adding up. It really wasn't that piece of legislation. It was all of them adding together. And it's sort of like in business--you start doing all those things and at some point you have to make that determination that you need to add to that staff or those resources in order to be able to continue on. And that's sort of what we're talking about here. This person will be doing a number of things. And one of the questions I had from one of our commissioners, well...and they asked, well, isn't this...isn't it something where somebody else isn't doing anymore and so, you know, you can kind of get the funding from them? And that really isn't the case. The whole realm of the community colleges

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has changed. We no longer have all six of the institutions as part of the association, the Community College Association. Part of what they used to do was look at how to count FTEs and what we call RAUs, and that's giving a weighting to each one of the FTEs. And they do it by the courses. They were doing that themselves, but now we have Metro outside of that system. We don't have anybody, and it now becomes the commission, to monitor that to make sure that Metro is counting the same courses as the rest of them and that they are adding the same weighting as the rest of them. It's also giving information to the auditors because we now...it used to be that most of them were audited by the same auditor. When we have the auditing and we have auditing guidelines that we give out, right now Metro has a separate auditor, Western has a separate auditor, and I believe Central is going to be going to a different auditor than Dana Cole. So there are all of these pieces that fit together. Part of that then affects the formula. And this last year we didn't believe that the data that they were giving us was really data that we could certify. And part of it was when we looked at the courses, and you have to look at are these courses that the state should reimburse for. Well, they had knitting. We probably thought knitting wasn't a course that the state should reimburse for. They would count meetings that they had that...and it wasn't an expense to the institution, but they would count all of the people that came to a meeting at their institution. We worked long and hard on this, and I can tell you it was not pleasant at times. But I think we've gotten to a point now where I think we can go forward with it. All of those things are really impacting what we do. And, you know, you can continue to do that, but we have a very small staff. We have almost the same number of staff as we had 22 years ago when we first started. And so we've added a significant amount of additional responsibilities. I worry and, you know, I'm leaving so I can kind of, you know, not worry about it but I do. The amount of work that we have for our staff members, once you get to the point where you are doing things and you don't have the time to look at what you are doing in each area, you set yourself up for mistakes. And I don't really want us to get to that point. We take pride in what we do and we know that the Legislature relies on some of the information we give. We are a third party. We try to give honest, valid information. And I don't want us go get to the point where we don't

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have enough people to really maintain that quality. So I think that's all I need to say about this. And I just ask for your support on each one of these. Thank you. [AGENCY 48]

SENATOR HARMS: Thank you for your testimony. Do we have any questions for Carna? Senator Nordquist. [AGENCY 48]

SENATOR NORDQUIST: Yeah. I just have a quick question on the dollars so I understand. Is the \$77,500 separate from the \$54,000 or is that included? [AGENCY 48]

CARNA PFEIL: No, that's the total. [AGENCY 48]

SENATOR NORDQUIST: Okay. [AGENCY 48]

CARNA PFEIL: And then \$54,000 is one-time. And the other \$23,000 would be added to our budget because it would be an increase in the new executive director's salary. [AGENCY 48]

SENATOR NORDQUIST: Okay. So the...we have \$30,000 for a consultant and then \$54,000 for their travel and other expenses which... [AGENCY 48]

CARNA PFEIL: Right and advertising. [AGENCY 48]

SENATOR NORDQUIST: And advertising. [AGENCY 48]

CARNA PFEIL: It's very expensive to advertise in The Chronicle of Higher Education and... [AGENCY 48]

SENATOR NORDQUIST: So that adds up to \$84,000. [AGENCY 48]

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CARNA PFEIL: Yeah. [AGENCY 48]

SENATOR NORDQUIST: But where's the \$77,000 come from then? [AGENCY 48]

CARNA PFEIL: Okay. The \$77,000 is the \$30,000 plus all of the additional expenses. That totals \$54,500. [AGENCY 48]

SENATOR NORDQUIST: Okay, okay. Oh, I see. And then the other for the additional salary. [AGENCY 48]

CARNA PFEIL: Right, right. [AGENCY 48]

SENATOR NORDQUIST: Thank you. [AGENCY 48]

SENATOR HARMS: Thank you, Senator Nordquist. Senator Nelson. [AGENCY 48]

SENATOR NELSON: Thank you, Senator Harms. I commend you for with your small staff for offering to take on the administrative duties here in order to cut the expense to about \$30,000. Would you consider staying on upon (laugh)...to help with this? Page 3, are those the states that have the coordinating commission, postsecondary education (inaudible)? Is that the list, there are nine or ten of them. [AGENCY 48]

CARNA PFEIL: Well, there are 25 of them. And what we did about probably 10 to 12 years ago, we looked at states that had similar coordinating commissions in duties, you know, responsibilities, the things that we would do that were similar to the other states. This has changed and they continue to change because things are really in flux in coordinating commissions. But these are the ones that we think have the same where they look at programs and they review capital construction and they make recommendations on budgets. So we tried to get those that were similar to us.

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[AGENCY 48]

SENATOR NELSON: The search firm, what would they be looking for? Where would they draw from? [AGENCY 48]

CARNA PFEIL: And that's a good question, Senator. And there was a recommendation by someone that we could just put an ad in the paper and somebody would come and apply. And we could do that and the people that would apply probably aren't the ones that we would want to hire because some states have done that and it hasn't worked out. What we have found, and that's why we use a search firm, is they contact people that they know from being involved in that realm of those that maybe are second in command that aren't really looking but they know would be really good at this kind of position. And so they will go out and contact them and try to convince them that this would be a good move for them, a good move up as they're, you know, trying to move up on the ladder. And most of them it's not going to be...and that's why it takes them a while because it isn't somebody that's just out there. You don't find those kind of people just looking around the lot. They're pretty set in what they're doing. We have...they're just people that aren't wanting to take a lot of risk right now. And so they need to see that this is going to be a good job for them. It's amazing when Dr. Hill when he was...when we were interviewing him, there was a piece of legislation to remove the commission, to take us out of the constitution. And it was difficult convincing him that this was a good place to work. So we just need somebody that's going to contact those people that aren't going to be just sitting around waiting for a job to come up. [AGENCY 48]

SENATOR NELSON: Were you here during the previous searches? [AGENCY 48]

CARNA PFEIL: Yes. [AGENCY 48]

SENATOR NELSON: Okay Did the search firm bring one name to you or two or three?

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What opportunity do you have? [AGENCY 48]

CARNA PFEIL: This last time we had three from outside and two from inside the state of Nebraska. Prior to that, we had three that were from outside Nebraska. [AGENCY 48]

SENATOR NELSON: And the search firm found the people in Nebraska as well. [AGENCY 48]

CARNA PFEIL: Yes. Yes, they did. [AGENCY 48]

SENATOR NELSON: And the applicants, is that a matter of confidentiality until you select the final one? How did that work? [AGENCY 48]

CARNA PFEIL: Once they provide the names to us of those who are interested, then that becomes public. Prior to that, we really don't know who they're looking at... [AGENCY 48]

SENATOR NELSON: Okay. [AGENCY 48]

CARNA PFEIL: ...because the search firm takes that. [AGENCY 48]

SENATOR NELSON: All right. Thank you very much. [AGENCY 48]

CARNA PFEIL: Uh-huh. [AGENCY 48]

SENATOR HARMS: Thank you, Senator Nelson. Do we have any other questions? Senator Wightman. [AGENCY 48]

SENATOR WIGHTMAN: Thank you. Thank you for the information you've given us, Ms. Pfeil. I'm wondering when I'm looking at the executive director's salaries and the

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comparison how we might stack up against some of these states as far as the total number of colleges and universities and community colleges we have. I would assume that Arkansas might be the only one that's kind of close to us in number. Do you know how many...how many colleges and state colleges and universities and junior colleges, community colleges do we have in the state? [AGENCY 48]

CARNA PFEIL: We have 13 public institutions in the state. We are one of the smallest. I think South Dakota is smaller in the number of institutions they have. North Dakota is too. But we also have the smallest Coordinating Commission. We are the smallest in the country. And so while we actually are stacking up against some of these that are much larger and they have more institutions, we have as much responsibility as those larger states. We do a significant number of things here. So we tried...the list would probably be three or four if we were trying to match the number of institutions. So that's why we look at the total responsibilities that we have and compare that to other states. [AGENCY 48]

SENATOR WIGHTMAN: But we would have...South Dakota and North Dakota, do they both have executive directors? [AGENCY 48]

CARNA PFEIL: No. North Dakota is a board of regents and so is South Dakota. So they would not be comparable. These are all ones that have coordinating commissions and not the board of regents. These would be coordinating. The others are governing, and we aren't in that realm. [AGENCY 48]

SENATOR WIGHTMAN: And they're coordinating usually the community colleges with the four-year colleges I assume. [AGENCY 48]

CARNA PFEIL: Yes, yes. [AGENCY 48]

SENATOR WIGHTMAN: Okay. I was just looking at the comparison in salary of the

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executive director because it does seem to me that the number of colleges and institutions involved does have something to do with the salary. [AGENCY 48]

CARNA PFEIL: It does. And we do look at that, but when you look at the total of responsibilities and the other things that we have to do, we stack up pretty well with these. Even though they are larger, we are right up there with the amount of responsibilities that we have. [AGENCY 48]

SENATOR WIGHTMAN: Thank you. [AGENCY 48]

SENATOR HARMS: Thank you, Senator Wightman. Any other questions? Senator Kintner. [AGENCY 48]

SENATOR KINTNER: Thank you for coming today. You haven't had any staff in 22 years. Is that correct? [AGENCY 48]

CARNA PFEIL: We have had staff leave and we've replaced them, but... [AGENCY 48]

SENATOR KINTNER: I mean the total number. [AGENCY 48]

CARNA PFEIL: No, no. We actually...and I printed out a report and where we're at right now is that we had 11.2 when we started and we have 11.5 right now without this new addition so. [AGENCY 48]

SENATOR KINTNER: I kind of like the lean and mean. It's kind of good. I always want government agencies to be lean and mean. We haven't figured out how to do it with all of our agencies yet but some of them are. You mentioned The Chronicle of Higher Education. Now we're paying the search firm 77...well, no. [AGENCY 48]

CARNA PFEIL: \$30,000. [AGENCY 48]

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SENATOR KINTNER: It's \$30,000 plus all the other expenses. If we're going to be advertising in The Chronicle of Higher Education, why are we hiring? I mean if that's all they're...I mean, I know they're going to do more than that, but you mention that as an expense. I'm thinking we could do that without the search firm. [AGENCY 48]

CARNA PFEIL: We could advertise. [AGENCY 48]

SENATOR KINTNER: Are we like paying in the, you know, go out and sneak in the back door and say, hey, come on over with us, man? [AGENCY 48]

CARNA PFEIL: And we sort of are... [AGENCY 48]

SENATOR KINTNER: Okay. [AGENCY 48]

CARNA PFEIL: ...because we have, I mean those people who you are going to want or who our commissioners are going to want to be able to come in and run this agency are not people that are just sitting out there. And there have been some states that have advertised. And if you talk to the search firms, they can tell you which ones are applying for just about every opening that's out there. Those aren't the people you want to run this agency or be part of higher education to do the things that the commission does. You want to be able to get those that have some quality, that really believe in higher education. They aren't just looking for a job. They are looking to do something in higher ed to really help higher education move forward. And those people are usually employed and aren't looking around for a job. So the agency, the search firm does that. They go in, they talk to, and they know who might be somebody because they're involved in that kind of group, and so that's what they do for us. I'd like to be able to do it just by ourselves, but I think this is a position where we really need somebody who understands higher education and is willing to really move us forward. [AGENCY 48]

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SENATOR KINTNER: How long is the process once you engage the search firm?
[AGENCY 48]

CARNA PFEIL: I was thinking I was going to be leaving like July 1. I just talked to, because we are visiting with this person and our commissioners haven't hired her yet, but I felt we needed to at least do the groundwork for this. Otherwise, we're going to be way down the road. She said that it would probably take two to three months just to get us at least three really good candidates. And then we will have to then bring them in and see who they want. I told her I would like two months instead of three, but she said to really get some good candidates who would fit Nebraska, because that's another piece that we need to be considering, so I think probably I'm hoping we have somebody hired by August 1. [AGENCY 48]

SENATOR KINTNER: (Inaudible). [AGENCY 48]

CARNA PFEIL: Because we won't be able to sign the agreement until after you decide if you're going to give us some money to do this. If you decide that you aren't going to provide the money for us to do the search, I'm not sure what we're going to do at that point. I know we'll have to do it ourselves, and that will take a long, long time to do because we just don't have the people to be doing that search so. [AGENCY 48]

SENATOR KINTNER: Yeah, thanks for that because I don't know a whole lot about the process. You probably as you came (inaudible) the room just about. You used to have Metro as part of you. Metro has apparently went off on their own. [AGENCY 48]

CARNA PFEIL: Yes. [AGENCY 48]

SENATOR KINTNER: So now you have less colleges that you have, you're overseeing, you're coordinating. Right? [AGENCY 48]

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CARNA PFEIL: No. We actually coordinate all six community colleges. And we actually...Metro is here and then the other five. So we really have become more important because now we have to be here getting those all to talk to each other and to cooperate and to provide the information. And so it's been even more difficult than it was before because we have one out here that is separate, and they are going their own way. They are doing exceptionally well and they are doing things that you would hope all of them would be doing. And Southeast is doing some of that, but Metro has really moved on and they're, you know, becoming much larger and doing more things. But we still have to bring them in because the formula funds all six of them so we have to make sure that they're all counting things the same, looking at things the same.
[AGENCY 48]

SENATOR KINTNER: Thank you. You've been most helpful. [AGENCY 48]

CARNA PFEIL: Thank you. [AGENCY 48]

SENATOR HARMS: Thank you, Senator Kintner. Do we have any other questions? Carna, thank you very much for your testimony. Before you leave, I just want to take a moment to say thank you for all that you have done for higher education. [AGENCY 48]

CARNA PFEIL: Thank you. [AGENCY 48]

SENATOR HARMS: You've been there from almost the beginning I believe. [AGENCY 48]

CARNA PFEIL: Yes. [AGENCY 48]

SENATOR HARMS: And I've had the opportunity to work with you in my previous world. And I want to thank you for all that you have taken on. I will tell you that without the Coordinating Commission, because I grew up in the system, it was absolutely chaos.

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You have to have someone coordinate. You have to get rid of duplication. You have to tell us when you have to get rid of your programs; they're not producing; it's cost per FT is way too high; you need to get rid of that. You have to have someone look at your construction and all these things fit into the Coordinating Commission. It's a huge issue. And quite frankly, higher education doesn't like anybody telling them what to do, but you have to do that. So thank you very much, Carna, and we wish you a great deal of luck and success when you leave us. [AGENCY 48]

CARNA PFEIL: Thank you. [AGENCY 48]

SENATOR HARMS: And enjoy retirement. Thank you very much. [AGENCY 48]

CARNA PFEIL: Thank you. [AGENCY 48]

SENATOR HARMS: Is there anyone else that would like to speak on Agency 48?
[AGENCY 48]

FRED OHLES: Good afternoon, Senators. I'm Fred Ohles, president of Nebraska Wesleyan University. I'm here to testify today on behalf of the Association... [AGENCY 48]

SENATOR HARMS: Would you please spell your name for us, please. [AGENCY 48]

FRED OHLES: Oh, I'm sorry. Fred, F-r-e-d, Ohles, O-h-l-e-s. [AGENCY 48]

SENATOR HARMS: Thank you. [AGENCY 48]

FRED OHLES: Testifying on behalf of the Association of Independent Colleges and Universities of Nebraska, a 14-member organization in support of additional General Fund appropriations to the Nebraska Opportunity Grant program. We're not taking a

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position with respect to the deficit appropriation requests of the Nebraska Coordinating Commission for Postsecondary Education, but we have been encouraged to testify on the importance of need-based student aid at this time by senators on this committee because the commission administers the Nebraska Opportunity Grant program. The grant program is not scheduled to receive an increase for the second year of the current biennium. However, there will be additional student need in the next academic year. Not all sectors of higher education in Nebraska will be able to freeze tuition for next fall. The Legislature has provided an additional \$26 million in General Funds for operations at our two-year and four-year public universities and colleges for next year. With state General Funds and property tax dollars taken together, taxpayer support for our public institutions will exceed \$810 million next year. In comparison, need-based aid for students in all sectors of higher education will be about \$16.5 million. With need-based aid at 2 percent of total operational support for higher education, Nebraska ranks lowest among the Big Ten states. Nebraska students attending independent colleges and universities will receive about \$3.1 million in the current fiscal year, and that is less than our students received in the 2001-2002 fiscal year. Despite that lack of state support, the independent institutions award more than 41 percent of the bachelor's degrees and advanced degrees in the state of Nebraska. We enroll the highest percentage of minority students of any sector. We award more than twice as many degrees to African-American students as the University of Nebraska and the state colleges combined. In areas where the state needs many new jobs to be created, I give as an example health sciences, the independent universities and colleges of Nebraska award a majority of the bachelor's degrees and advanced degrees. For these reasons, I'm advocating today more money for need-based aid in the state appropriation. I wish that we had a program you could fund that was dedicated to students in the independent sector as there was until the year 2003, and we will continue to advocate in the Education Committee for such a program again. However, today I ask you not to ignore needy students who will benefit from increased appropriations to the Nebraska Opportunity Grant program. I thank you for the opportunity to testify, and I would be very glad to answer any questions. [AGENCY 48]

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SENATOR HARMS: Thank you for your testimony. Do we have any questions? Seeing none, thank you very much for your testimony. [AGENCY 48]

FRED OHLES: You're welcome. [AGENCY 48]

SENATOR HARMS: Do we have anyone else who would like to speak on Agency 48? [AGENCY 48]

TIP O'NEILL: (Exhibit 2) Senator Harms, members of the Appropriations Committee, I'm Tip O'Neill, that's T-i-p O-'N-e-i-l-l. I'm the president of the Association of Independent Colleges and Universities of Nebraska. My short visit here to the Appropriations Committee, because I don't want to delay your proceedings, is just to hand out some materials relating to independent colleges and universities in the state and referencing in some respects what President Ohles has just told you about us. The fact that we do make a significant contribution to higher education in this state. Again, more than 40 percent of the bachelor's and advanced degrees in the state, high percentage of minority students, high percentage of degrees, quicker to degree completion than any other sector of higher education in the state. And, you know, I think one of the things you might want to look at is in tab 5. And when you look at state investment per degree, take a look at why maybe we ought to support students attending independent colleges and universities. Because when we're talking about higher education, we're talking about a different situation than when we're talking about K-12 education. Because in K-12, the state Constitution says you have to provide a free K-12 education to every student in the state. But in higher education, that's not the case. The state Constitution does not require a free higher education to every student in Nebraska. And if you look at the state investment per degree, you're talking somewhere in the \$45,000 to \$50,000 range University of Nebraska currently. In the independent college sector, we're talking \$336 per degree. And if we talk about using capacity in the independent sector, utilizing some state dollars to allow the independent colleges to use their capacity for state

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residents, then maybe we ought to be doing that rather than trying to build additional capacity in the public sector. We have an interesting policy in this state where we actually provide more aid to nonresidents who attend public sector institutions than we do to resident students to attend Nebraska independent colleges and universities. And I've always thought that we ought to take a look at that policy. So as the Appropriations Committee moves forward, we hope that you will consider providing more aid to our current need-based aid program and take a look at some of those policies. And I'd be happy to answer any questions you might have. [AGENCY 48]

SENATOR HARMS: Thank you for your testimony. Do we have any questions? Seeing none, thank you. [AGENCY 48]

TIP O'NEILL: Thank you, Senator Harms. [AGENCY 48]

SENATOR HARMS: Do we have anyone else who would like to speak on behalf of Agency 48? Seeing none, this closes the hearing on Agency 48. We'll open with Agency 13, Department of Education. [AGENCY 48]