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Appropriations Committee
March 02, 2009

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The Committee on Appropriations met at 1:30 p.m. on Monday, March 2, 2009, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on the budgets for Agency 48, Agency 50, and Agency 83. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Tony Fulton; Tom Hansen; Heath Mello; Danielle Nantkes; John Nelson; and John Wightman. Senators absent: Senator Nordquist.

SENATOR HEIDEMANN: Welcome to Appropriations. We're going to start off just introducing who we are. We'll start over on the right. Senator Nordquist will not be with us today, I was told. To his left is Senator Tom Hansen from North Platte. To his left, Senator Danielle Nantkes from Lincoln, District 46. To her left is Senator John Wightman from Lexington, District 36. Our fiscal analyst at the present time is Phil. I am Senator Lavon Heidemann from Elk Creek, District 1. To my left is Senator John Harms from Scottsbluff, District 48. To his left is Senator John Nelson from Omaha, District 6. To his left is Senator Tony Fulton from Lincoln, District 29. Senator Heath Mello will be joining us later. He's from Omaha, District 5. I believe he's introducing bills at the present time. Committee clerk is Anne Fargen. The pages for the day, Andy and Kim. Andy is not here right here now but he'll be back. At this time we'd like to ask you that if you have cell phones that you please shut them off, put them silent or vibrate, whatever it might be. Would also like to remind you that testifier sheets are on the table or near the back doors. We ask that you would please fill them out completely and put them in a box on the table when you testify. You do not need to fill out this form if you aren't publicly testifying. At the beginning of the testimony, we ask that you please state and spell your name. Nontestifier sheets near the back doors if you do not want to testify but would like to record your support or opposition; you only need to fill out this if you will not be publicly testifying. If you have printed materials to distribute, please give them to the page at the beginning of testimony. We need 12 copies. We also ask that you please keep your testimony concise and on-topic, under five minutes would be

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appreciated. With that, we're going to open up our public hearing today on Agency 48, the Coordinating Commission for Postsecondary Education. Welcome.

MARSHALL HILL: (Exhibit 1) Good afternoon, Senator Heidemann, members of the committee. My name is Marshall Hill, M-a-r-s-h-a-l-l H-i-l-l. I am executive director of the Nebraska Coordinating Commission for Postsecondary Education. Because we have a few new members here, I thought I'd take just a moment to bring you up to speed on what the Coordinating Commission is. In its present form, it's existed since 1992 when it was implemented and added to the constitution by the people of Nebraska. We're not a peculiar Nebraska entity. Every state but one in the nation has a statewide higher education agency quite similar to ours. We do many things, as directed in the constitution and statutes. We implement a statewide plan for higher education. We administer the student financial aid dollars that the state provides for postsecondary education students in all sectors. We approve academic programs at public institutions and approve capital facilities projects that are to rely on tax funds. We review and make recommendations to you about institution's requests for their budgets. And we conduct a lot of research and published reports. Our latest one is the "Nebraska Higher Education Progress Report," which our board will be approving next Friday and we'll have copies to you immediately thereafter. I'd like to address two principle issues today, one having to do with financial aid and the other having to do with general operating budget issues. And I will keep my remarks to less than five minutes. First, I'd like to thank you and the Governor for the increased spending authority that you have provided in our Program 690. That program provides financial aid for Nebraska's most needy students. It will allow us to spend whatever lottery dollars are able to be spent as they come to us. We had also requested additional General Funds for the Scholarship Program of about \$467,000 for 2009 and \$967,000 for 2010-11. The purpose of that request is to keep us from losing ground on some progress we have been making in the amount of financial aid we've been providing to students. All of our financial aid in the state provided by the state is need-based financial aid. It goes to our most needy students. They must be eligible for a federal Pell Grant, which is sort of the bedrock of

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higher education financial aid, and the Nebraska state grant allows those students, about 13,000 of them, to get additional financial aid. Right now, Nebraska ranks about 37th in the nation in the amount of need-based financial aid that we provide per undergraduate student. We have been notching up one slot year by year for the past several and we are requesting these additional amounts which are based actually upon the increases in tuition for the students at our institutions. This would not result in any improvement in our relative rank based on last year's information and, frankly, nobody knows what it's going to look like next year given the financial situation many states are in, but it would keep us from losing ground internally, especially important, we think, at a time when students and their families are most challenged. A final financial aid point is to thank you for the increased funding that you are recommending for the Access College Early Scholarship Program. That is a program for needy high school students who are taking college courses while they are still in high school. There is a needs-based component to this. The students must either be on free or reduced lunch or something quite similar to demonstrate that they have significant financial need. If they were college students, they would in all likelihood qualify for both federal and state financial aid. But because they're high school students, there is no funding available for them. What we did is several years ago, two years ago, Senator Harms started this program and it provides financial assistance to high school students who are taking courses at our colleges and universities. This academic year we have about \$215,000 for the program--\$115,000 in state funds and \$100,000 in federal funds. The Coordinating Commission applied for and received a federal grant to improve access to college and we are using \$100,000 of those funds for each of the next two years. You have been recommending...you've recommended some increases but our analysis of how much we would need to satisfy the requests that we receive indicates that we will have a shortfall. Every day our fax machine spits out applications from eligible students that we are not able to fund. This current year we had 310 students apply for financial aid through this program that we were not able to fund. Our original request was submitted before we had that picture clear for the fall semester so, therefore, I am asking you to reconsider your recommendation on the ACE Scholarship Program and

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provide General Funds of \$100,000 in fiscal year '09-10 and an additional \$180,000 in 2010-11. National studies indicate that this program, dual enrollment of high school students, does exactly what we would want it to do. Students who take dual enrollment courses stay in high school at higher rates, graduate from high school at higher rates, enter postsecondary education at higher rates, and return for their sophomore year at higher rates. Under our operating budget request, we do appreciate you allowing us to carry over any funds that we are able to avoid spending through this fiscal year. What this, frankly, does for a small agency like ours is change our assessment of how many toner cartridges we're going to be buying as we spend the fiscal year. But we do appreciate that and we'll attempt to make best use as we can. But with the proposed zero General Fund increase to our agency's operating funds for the biennium, we are going to have some significant difficulties. We'll have additional operating expenses of about \$14,000 for expenses that are completely outside of our control--workers' compensation payments, DAS/NIS accounting charges, rent increases, and in addition to that health insurance increases. We ask you to reconsider and provide whatever help you can. Your committee has recommended an increase in our personal services limitation to allow for a 2.5 percent salary increase for our staff, if we were able to find the money to do that. I'm here to say that we can't. We have 13 staff. Unlike a large agency which could perhaps have some salary savings, we are at 13, which is the highest we have been at since we were created in 1992. At our size, we are the smallest state agency of our type in the nation and we certainly don't have the smallest list of responsibilities. So every staff member is pretty much a specialist who does various work in his or her discipline, and it's difficult to switch them aside to work in other ways. So I ask that you reconsider to provide us an assistance, if you possibly could, as you go forward. And with that, I'll conclude and respond to any questions you might have. [AGENCY 48]

SENATOR HEIDEMANN: Thank you for coming in today, Marshall, and speaking to the Appropriations Committee. At this time, I'd like to note that Senator Heath Mello has joined us from Omaha. Senator Fulton, you have a question? [AGENCY 48]

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SENATOR FULTON: Sure. Can I shoot? [AGENCY 48]

SENATOR HEIDEMANN: Sure, yes. [AGENCY 48]

SENATOR FULTON: Okay. Thanks for being here. [AGENCY 48]

MARSHALL HILL: Thank you. [AGENCY 48]

SENATOR FULTON: Would...if indeed our final recommendation would retain, if we wouldn't change our final recommendation and ask that you find those inflationary increases within your existing budget, will you be laying anyone off? [AGENCY 48]

MARSHALL HILL: No, we will not. [AGENCY 48]

SENATOR FULTON: Okay. Do you have an idea of, at this point, how you would find those monies? I guess in order to preserve the positions that you have presently, are there any...do you have ideas now as to where you can find those efficiencies? [AGENCY 48]

MARSHALL HILL: Well, we have...we have...we have looked at our budgets. We would extend out our cycle for replacement of computers and printers and so forth, we will cut back on the travel expenditures of both our commissioners and our staff. We will be able to manage but just barely. [AGENCY 48]

SENATOR FULTON: Okay. But it's not your intention that...to find these savings in eliminating any staff. [AGENCY 48]

MARSHALL HILL: No, it is not. We are a...we work hard at my agency. We have a body of work that I think we'd be challenged to do if we lost an individual. Frankly, we

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accommodated prior years' spending cuts by eliminating two positions at the Coordinating Commission. I wear two hats, in essence. I'm the executive director but I'm also the chief academic officer. We don't have any other opportunities to do that. We will...we will...we will keep on keeping on but it will be a challenge for us and, unlike a large agency which has some other opportunities perhaps, we're challenged. [AGENCY 48]

SENATOR HEIDEMANN: You had stated you're at your highest right now at 13. Is that correct? [AGENCY 48]

MARSHALL HILL: I don't think we...I don't think we have ever been higher than that. Maybe we got to 14 at some time before I came here, but we are at 13, which is what we were shortly after we were constituted in 1992. [AGENCY 48]

SENATOR HEIDEMANN: So you talked about the last round of budget cuts you lost two people. Is that in your... [AGENCY 48]

MARSHALL HILL: No. No, sir, not the last round, times before. [AGENCY 48]

SENATOR HEIDEMANN: Times before that? [AGENCY 48]

MARSHALL HILL: Right. And we have, therefore, sort of reconstituted our staff assignments to accommodate that. [AGENCY 48]

SENATOR HEIDEMANN: Okay. Senator Wightman. [AGENCY 48]

SENATOR WIGHTMAN: Thank you, Mr. Hill, for being here. [AGENCY 48]

MARSHALL HILL: Thank you. [AGENCY 48]

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SENATOR WIGHTMAN: I think you said Nebraska was 37th in the nation, is that right, on...and that's based on a per student financial aid or...? [AGENCY 48]

MARSHALL HILL: That's the amount of need-based financial aid provided by the state for its undergraduate students. [AGENCY 48]

SENATOR WIGHTMAN: Are we looking at total or are we looking at per student? [AGENCY 48]

MARSHALL HILL: Per student. [AGENCY 48]

SENATOR WIGHTMAN: Per student. Okay. [AGENCY 48]

MARSHALL HILL: If we were looking at total, we'd be further down than 37th. [AGENCY 48]

SENATOR WIGHTMAN: We've got a low population as compared to a lot of the states you're comparing us to, I assume, so. [AGENCY 48]

MARSHALL HILL: We've got a small population. Correct. Correct. [AGENCY 48]

SENATOR WIGHTMAN: Is the cost of higher education less here than it is in a lot of the other states? I don't know. [AGENCY 48]

MARSHALL HILL: Higher education is increasing in costs at rates higher than most other metrics in society. Different people have different reasons for that. Nevertheless, the cost of higher education here in Nebraska, while it continues to increase, still is a relatively good bargain, especially when compared to some of our sister states in the Midwest. The particular concern that we at the commission have is that the percentage of a family's income that must go to cover tuition and fees, costs of attendance at our

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institutions continues to increase, especially for our less-well-off population. [AGENCY 48]

SENATOR WIGHTMAN: Everything we read indicates that many other states are perhaps struggling more than we are as far as though. Do you know, have you kept track of what other states are looking at in their legislatures as far as aid to students, whether they're cutting back or...? [AGENCY 48]

MARSHALL HILL: Yes, sir, I'm afraid they are. And we are quite fortunate here in Nebraska. We don't have the current financial picture that many of our sister states do. Many states are going to be extraordinarily hit in the higher education arena. The Nevada Governor is calling for a 30-plus percent decrease in higher education funding. Florida is looking at a huge decrease. California, the University of California will be admitting approximately 10,000 fewer students next fall than current years. It's a very difficult time. Several states that had put in place financial aid provisions, guaranteed scholarship provisions, are having to avoid funding them for the succeeding years. So, yes, it's a very, very difficult time. It's the very rare state that is not caught in this problem. One of them is on our western border. Wyoming is doing quite well with its support for higher education. [AGENCY 48]

SENATOR WIGHTMAN: And obviously, those states with high natural resource capacity... [AGENCY 48]

MARSHALL HILL: Correct. Wyoming and South Dakota are doing quite well. The university systems in Florida are going to be decimated. Georgia is looking terrible. Many states are going to be set back a long way. The national organization of people who do the work that I do has done an analysis of what happens to state higher education systems when they are cut back in tough budget times. The bottom line is you never get back to where you were, just never get back. [AGENCY 48]

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SENATOR WIGHTMAN: Thank you. [AGENCY 48]

SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 48]

SENATOR NANTKES: Hi, Mr. Hill. Thanks for coming in. A couple questions in regards to the Access College Early Program, and maybe you covered it in here, but can you tell me roughly when that program began? It's a fairly new program, isn't it? [AGENCY 48]

MARSHALL HILL: It is new. The Coordinating Commission administered a program called the Community Foundation Scholarship Program. It had \$50,000 into it. It was a matching...a matching scholarship program and we, frankly, had difficulty giving the money away each year. The match criteria were quite complex. The amounts available to community foundations was low. They didn't see it worth their effort. And we had year after year where we were unable to distribute the funds. We approached Senator Harms, asked for his support in changing that appropriation to meet a need that we had been hearing a lot about, and two years ago this program began. We were making estimates about how many students would be served, how many would take us up on this. We have had no difficulty in providing the funds. The information I've provided you demonstrates these are students from all around the state. They're from all around the state. They are students who, if they were in college, they would be eligible for financial aid. [AGENCY 48]

SENATOR NANTKES: Uh-huh. [AGENCY 48]

MARSHALL HILL: The last point I'd make about them is they're doing well: 85 percent of them are getting Cs or better and that's probably right on par or better than our full-time freshman class. [AGENCY 48]

SENATOR NANTKES: Great. That's...and that leads into some of my next questions. So it's a fairly new program but we're already serving over 750 kids, eligible kids here in

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Nebraska. [AGENCY 48]

MARSHALL HILL: Uh-huh. [AGENCY 48]

SENATOR NANTKES: And you've had to turn away over 300 kids who would be eligible for the program that have applied. But I'm guessing the pool of those eligible would even be greater than those who have actually applied. [AGENCY 48]

MARSHALL HILL: Yes. Yes. [AGENCY 48]

SENATOR NANTKES: So the need is actually much, much higher probably. [AGENCY 48]

MARSHALL HILL: Yes, and we have anecdotal evidence from student financial aid, guidance counselors in high schools, that they learned that the funds were limited and so, therefore, they encouraged their students not to apply. [AGENCY 48]

SENATOR NANTKES: Uh-huh. Okay. Wow, that's too bad. [AGENCY 48]

MARSHALL HILL: If I can read into what might be a question, how much money could we throw at this problem before we used it all, our best professional guess right now is about \$400,000 a year and we, when we began the program, and I remember Senator Harms's testimony, saying if this is successful he would be coming back asking for more, and so are we. And once again, we take heart from those several national studies now about dual enrollment courses and, even when you adjust for socioeconomic status of students, it does all of the things we very much need to do. [AGENCY 48]

SENATOR NANTKES: And I guess just from a larger public policy perspective in regards to some of the questioning and dialogue that we've already heard here today, we understand, in our talking and monitoring situation with colleagues in other states in

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terms of how they're dealing with their budget crisis, and particularly impacts that will have on systems of higher education. [AGENCY 48]

MARSHALL HILL: Uh-huh. [AGENCY 48]

SENATOR NANTKES: And, of course, we would never want to take advantage of other people's misfortune, but I really see this as a time for Nebraska to make strategic investment so that we can leverage farther ahead and improve our state's position... [AGENCY 48]

MARSHALL HILL: Uh-huh. [AGENCY 48]

SENATOR NANTKES: ...even more so in the short and long term. And programs like this seem to me to be a great example of how these types of investments really do impact our students' lives and keeping them keyed into higher education and getting those skills and jobs they need to be successful in our changing economies. [AGENCY 48]

MARSHALL HILL: Thank you. I appreciate that. We would also believe that investments in the Nebraska state grant program do the same. We do a very good job in this state of keeping our students here. The 80-plus percent of all students who graduate from our high schools stay in Nebraska to go to school and we're doing a good job. We're always going to lose some students. Some Nebraskans should attend Princeton and Harvard and Stanford and so forth, and we hope they come back here afterwards, but... [AGENCY 48]

SENATOR NANTKES: Thank you. [AGENCY 48]

MARSHALL HILL: Yep. [AGENCY 48]

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SENATOR HEIDEMANN: Senator Harms. [AGENCY 48]

SENATOR HARMS: Dr. Hill, thank you very much for coming. [AGENCY 48]

MARSHALL HILL: You're welcome. [AGENCY 48]

SENATOR HARMS: You know, your estimate of \$400,000, I think, is really conservative. [AGENCY 48]

MARSHALL HILL: I do too. [AGENCY 48]

SENATOR HARMS: Because when you really look at where these students are coming from, we really haven't hit urban America yet very hard, and when urban America finally decides they want to participate in this, \$400,000 will not even touch it. So I think there's a lot of need that's going unmet. And when you look at Iowa, for example, they're at what, \$1.8 million, \$1.9 million in a similar program? So I think as we look at this in the future, we're going to have to really prepare for this because, you're right, it is a winner and it does provide the opportunity for students to go on. And the neat thing about this program, while they're still in high school and attending college, they still have that support system. When they start, as you know, independently, without starting in high school, they don't have the support system and they get the idea of what it takes to be successful, they get the idea what it takes to have study skills. All of this works in our favor and that's why I'm saying I don't think \$400,000 would even touch it; that we've got to work towards that and hopefully our target would be eventually \$1 million in the future, because that's all...that's what it's going to take. So thank you. [AGENCY 48]

SENATOR HEIDEMANN: Were there any...? Senator Mello. [AGENCY 48]

SENATOR MELLO: Dr. Hill, I'd like to thank you for coming in and presenting some good information, not only about the ACE Program that I think Senator Harms

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mentioned but just in general what the commission does. [AGENCY 48]

MARSHALL HILL: Thank you. [AGENCY 48]

SENATOR MELLO: But in that same vein, I believe it was The Chronicle of Higher Education rated Nebraska an F in regards to college affordability, and I'd like to know what the commission is currently doing in regards of coming more with a long-term strategic plan to try to address that college affordability issue. [AGENCY 48]

MARSHALL HILL: Well, it's a real concern and, frankly, that same report, which is measuring up, ranked most every state an F, reflecting the fact that higher education costs are accelerating faster than many other types of costs in society and also faster than families' abilities to pay. We continue to stress efficiencies. We continue to stress the growth of distance learning opportunities when those can lead to costs. The commission does review all of the existing programs at the institutions and has the authority to either close or convince the institutions to close programs that are nonproductive. That can lead to some cost savings. The commission, in part of its role, is charged to review the construction requests of institutions and their requests for operations and maintenance funding. Awhile ago we prepared for the Governor a list of projects that over the past few years, just in operations and maintenance funding, have saved the state more than \$2 million per year in operations and maintenance funding at the campuses, requests that we thought were not justified. Now I do want to say that we do have some concerns about the state's inability to fund operation and maintenance of new buildings as they are created, so we are quite supportive of the state's role in supporting the operation and maintenance of our institutions, but on a case-by-case basis, we just had some differences of opinion. So those are some things we do. We continue to publish data which looks at what our costs of attendance are at our institutions as opposed to peer institutions around the country, around the region and the country. So for UNO, for Kearney, for Chadron, for Central Community College and so forth, the commission keeps track of what the costs of attendance are at their peer

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institutions and publishes those, and that calls attention to any increases which are at least out of line with others. It's a real challenge, it really is, and on the one hand the commission is a supporter of higher education but, more than that, we're a supporter of our students. Sometimes those differences erect interesting challenges. There's more that we could do, more that we...more that we will attempt to do. [AGENCY 48]

SENATOR MELLO: If there was--a follow-up question--if there was additional funding provided to the commission, would that be...would that become a priority, in regards to these challenging economic times, to try to lay out more of a strategic, long-term perspective of how the commission can guide higher education and... [AGENCY 48]

MARSHALL HILL: Uh-huh. [AGENCY 48]

SENATOR MELLO: ...college affordability? [AGENCY 48]

MARSHALL HILL: Well, that's a very good...that's a very good question. We have done a number of things over the past couple of years to focus attention on that. A year and a half ago we brought in a national expert on higher education, did a summit on higher education in Nebraska's future, looked at not only what our inputs were in higher education but what our outcomes are and how those compare not only to other states but to other countries. It's increasingly important, I think, to look at what we do as compared to other nations. We have to scabble for funds to do that and get little bits and pieces here and there. We could do that. Right now, I think that the principle priority that the commission has is not money for ourselves to do more but, frankly, more funds to support students and their parents in this challenging time. We are a small staff. I'm not going to sit here and argue for two more staff members. I don't need two more staff members to do what we do right now. [AGENCY 48]

SENATOR MELLO: One more follow-up real quick, just could you give...I guess over the last few years we've seen increasing awareness of STEM education--science,

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technology, engineering, mathematics,... [AGENCY 48]

MARSHALL HILL: Uh-huh. [AGENCY 48]

SENATOR MELLO: ...various courses and programs. Could you kind of give the committee maybe an update, so to speak, on kind of how that education program is transpiring in the state... [AGENCY 48]

MARSHALL HILL: Uh-huh. [AGENCY 48]

SENATOR MELLO: ...and the community college level, the state colleges and the university? [AGENCY 48]

MARSHALL HILL: Well, I think there's been a great deal of attention to STEM fields--science, technology, engineering, math. The institutions I think have been refining programs, changing curricula. There's been a lot of attention to making the case that fields having to do with numbers are interesting, as well as fields having to do with words. Our institutions do a lot of outreach to colleges...I mean to high schools. University of Nebraska has two outreach efforts that are particularly helpful, one in the center part of the state and one that's recently started at North High School in Omaha. The commission continues to publicize information about research productivity and so forth that draw on those fields and they're increasingly important for economic development activities. Commission is doing a great deal of work in economic development. We fully believe that economic development is not the reason for education but it's certainly one of the good outcomes of education. [AGENCY 48]

SENATOR MELLO: Thank you. [AGENCY 48]

MARSHALL HILL: You're welcome. [AGENCY 48]

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SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for coming in today. [AGENCY 48]

MARSHALL HILL: Thank you, sir. [AGENCY 48]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 48? Welcome. [AGENCY 48]

TIP O'NEILL: Thank you, Senator Heidemann, members of the committee. I'm Tip O'Neill. I'm president of the Association of Independent Colleges and Universities in Nebraska. We are a consortium of 14 privately controlled, regionally accredited colleges and universities located here. Since 1989, I have been coming before the Appropriations Committee on an annual basis and asking for additional student aid for students who attend independent colleges and universities. I have to admit that I'm not as enthusiastic about it as I was before 2003, when the three programs that we had at that time were repealed and replaced with the Nebraska Scholarship Program. In 2001-2002, students who attended independent colleges and universities received about \$4 million in funds for student aid and I think in the current year appropriation, the allocation for 2008-2009, our students received \$2.5 million. In our opinion, it was a formula that was ill-conceived in terms of the creation of the Nebraska Scholarship Program. We didn't ever oppose additional aid going to our public sector colleagues. The fact of the matter was the reason that we ended up with a lot of...with a high percentage of the student aid dollars from over the years, from 1991 to 2003, was because, you know, we were kind of the only ones who were asking for it. The public sectors at that time preferred to get their appropriations directly. But I don't think it was the intent of the Legislature that students at Kaplan University, a for-profit entity, should receive more money in student aid dollars than students at Creighton, Wesleyan, Hastings, and Concordia combined. I don't think that was what the Legislature intended when they passed the Nebraska Scholarship Program. So I hope to become much more enthusiastic next year when I come before you asking for money, depending on what

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the Education Committee does with a few of our proposals that are being heard both this afternoon and tomorrow. But student aid is important. You know, we award 41 percent of the bachelor's degrees in the independent college and university sector. We employ 4,800 people. We do a lot of good for a lot of students and a lot of those students are having increased needs for financial aid. Our institutions are having difficulties because, of course, if they have an endowment, those endowments have gone down, too, in terms of the context of the current recession. So we're going to be struggling. We're going to be struggling. Our students are going to be struggling. But we will certainly do the best we can to provide the highest quality education that we can provide. Be happy to answer any of your questions. [AGENCY 48]

SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 48]

SENATOR NANTKES: Thank you, Mr. Chair. Tip, thanks for coming in. [AGENCY 48]

TIP O'NEILL: Sure. [AGENCY 48]

SENATOR NANTKES: And I guess may you already touched upon it. I don't want to take too much of your time if you have bills up before Education today, too, but... [AGENCY 48]

TIP O'NEILL: Well, Senator Harms just left so he's probably.. [AGENCY 48]

SENATOR NANTKES: Oh. Okay. Okay. [AGENCY 48]

TIP O'NEILL: But that's fine. I'm neutral there so. [AGENCY 48]

SENATOR NANTKES: But if you could maybe just talk a little bit more about the Nebraska Scholarship Program, I guess, so it's really an eligibility...how we're defining eligibility is really diverting some of these resources... [AGENCY 48]

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TIP O'NEILL: And an allocation issue. [AGENCY 48]

SENATOR NANTKES: ...away from maybe what folks had originally intended...
[AGENCY 48]

TIP O'NEILL: Certainly. [AGENCY 48]

SENATOR NANTKES: ...towards some of these institutions which, you know, maybe
wouldn't fall under... [AGENCY 48]

TIP O'NEILL: Well, and it's also enrollment driven too. You know, when we went to a purely Pell formula with capped...a capped allocation in terms of we stopped the cost allocation based on University of Nebraska-Lincoln tuition. Now again, you know, tuition in the public sector are going to be lower than the tuitions in the independent sector because we don't receive the benefit of the tuition subsidy. I mean we...our students get \$2.5 million. I think the total appropriations of the public sector through state and local contributions is about \$688 million. So that's the principal reason why the price is different. Costs are relatively similar. I mean you're going to pay a faculty member about the same at either institution. It's just that the price is going to be different because the...because the tuition is subsidized in the public sector. And so, you know, we used to receive some benefit of that additional price in the independent colleges and, second, we used to receive the benefit of all of the students who had Pell Grant need, even though not all of those...even the nonresident portion of those students would be not eligible for the awards. So if you look at a Concordia, for example, which enrolls a significant percentage of students from outside the state, we were able to get an allocation based on the entire Pell Grant population, even though the awards could only be made to students with financial need who are Nebraska residents. So Concordia, perhaps, could go a little up higher on the need ladder, but they would get a full allocation. Now you take an institution, like Union College for instance, Senator Fulton,

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that at one time received about \$240,000 from the state in terms of a grant allocation for students, now receives \$16,000. So that's a pretty profound difference. And you can make the argument I guess, and I certainly do, that when you bring a student in from outside the state to an independent college or university, you're actually...that's the most beneficial student you can bring in, from an economic impact standpoint, because the dollars are being transferred from outside the state to inside the state as opposed to a resident student where the dollars are just being transferred from North Platte to Lincoln. [AGENCY 48]

SENATOR NANTKES: Uh-huh. Just one more question, and I guess this is more just along general interest. [AGENCY 48]

TIP O'NEILL: Uh-huh. [AGENCY 48]

SENATOR NANTKES: But we've been talking a lot about, particularly in a time of uncertain economic conditions, that we generally see an increase in enrollment amongst institutions of higher learning. Are you member institutions seeing an increase in enrollments and applications and have you started to see that yet? [AGENCY 48]

TIP O'NEILL: Well, actually, you know, I just get anecdotal information on it at this point, and we get a lot of applications but it's the deposits that are made in the spring that really determine what your enrollment is going to look like in the fall. So most students, it appears these days, most prospective students file four or five different applications because most of us waive the application fee as opposed to the way we used to do business. And so we're real... [AGENCY 48]

SENATOR NANTKES: So it might be hard to tell right now if... [AGENCY 48]

TIP O'NEILL: So it's really hard to tell. [AGENCY 48]

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SENATOR NANTKES: Yeah. [AGENCY 48]

TIP O'NEILL: I mean our applications are decent but until you find out what the deposits are going to be...and I think we probably have had to...had to do additional discounting, additional scholarships for students, which has an impact on your bottom line and your ability to pay faculty members and provide the services that you need to provide. I mean we have seen a significant increase in discounts in the public sector in Nebraska over the last five years. You know, the tuition discounts at the University of Nebraska, for example, have gone from, oh, about, well, I think I have that number actually. In '02-03, they were at about \$28 million total with the Nebraska grant program, and as of '07-08 they were at \$58 million, almost \$59 million. So you also have to see what the public sectors are doing in terms of both their tuition rates and their discount rates because that's really our competition. What we have seen in the last four years, and so three, is a decline in the numbers of full-time freshmen, and full-time freshmen are important to us because that's...those numbers carry through all four years. So if you have a bad recruiting class as a freshman class, you're going to have a bad number really for the next four years. We've experienced a decline of about 7 percent in terms of full-time freshmen between 2003 and 2007, and I think the University of Nebraska is up about 8 percent in full-time freshmen during that time period. They're the only sector that has had an increase. I think the state colleges are down a couple percent maybe. [AGENCY 48]

SENATOR NANTKES: Great. Thanks. [AGENCY 48]

TIP O'NEILL: Uh-huh. [AGENCY 48]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 48]

SENATOR WIGHTMAN: Thank you, Tip, for being here. As one Sumner graduate to another,... [AGENCY 48]

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TIP O'NEILL: That's right. [AGENCY 48]

SENATOR WIGHTMAN: ...always good to see you. As far as you talked about percentage or numbers of outstate students, percentage of outstate students I assume are higher in the private colleges. [AGENCY 48]

TIP O'NEILL: Uh-huh. Yes, they are. Yes, they are. [AGENCY 48]

SENATOR WIGHTMAN: Significantly? [AGENCY 48]

TIP O'NEILL: Well, we enroll generally, if you count just the four-year publics, the university and state colleges, we enroll more than half of the students who come from outside the state. [AGENCY 48]

SENATOR WIGHTMAN: The private colleges do. [AGENCY 48]

TIP O'NEILL: Yes. Yes, we do. We have more...actually more students who come in to Nebraska to attend private colleges than leave Nebraska to attend private colleges in other states, about a net 400 in that number so. [AGENCY 48]

SENATOR WIGHTMAN: Has your average tuition in private colleges been going up more rapidly than average tuition in the in-state colleges, UNL or the university or the State College System? [AGENCY 48]

TIP O'NEILL: Not in terms of a percentage rate probably, but again you're looking at total dollars. I mean obviously 5 percent of \$20,000 is a lot bigger number than 5 percent of \$6,000, so in total dollars but probably not in terms of percentages. I mean we try to be creative as far as ameliorating our tuition increases are concerned. But again, if you look at net, net cost or net price, in a lot of those instances, even though

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tuition may have gone up 5 percent, the net revenue to the institution was not anywhere near the 5 percent because of the additional tuition waivers they had to provide to get the class they needed. [AGENCY 48]

SENATOR WIGHTMAN: I know the cost to the student is much higher, considerably higher in the private colleges. Is the cost of education per student, if you took the state aid out of it, much different? [AGENCY 48]

TIP O'NEILL: No. It should be...it should be fairly...it should be fairly close actually. [AGENCY 48]

SENATOR WIGHTMAN: It's probably a greater sum because of the smaller number of students and smaller class size than... [AGENCY 48]

TIP O'NEILL: Right. There are some...there are some economies of scale that you get with a large institution that, I mean, you're going to have to have about the same number of administrators for a school with 600 to a school with 1,400, and then as you get higher than that it kind of incrementally increases. But you also have research institutions, for example, that are going to have higher faculty salaries. You have to pay the researchers and the faculty at a UNL more than you do at a Union College, for example. So you have some differences. So generally, if you're talking about an undergraduate course, comparing it to an undergraduate course, it's going to be pretty much the same in terms of cost. [AGENCY 48]

SENATOR WIGHTMAN: I assume that the private colleges come under a lot of struggling during bad economic times when incomes across the nation go down substantially. [AGENCY 48]

TIP O'NEILL: Well, actually, it's like a double-whammy because you have the endowment that's going down, you also have the family savings that are going down

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and when people are making the choice to send their kids to college. We're really dependent, too, for the most part on the traditional residential student, the 18- to 22-year-old cohort of student. So they're more likely to be dependent than independent students, although there are some, there are some differences among institutions. Bellevue University, for example, which I represent, has a much higher cohort of nontraditional students. [AGENCY 48]

SENATOR WIGHTMAN: Thank you. [AGENCY 48]

TIP O'NEILL: Creighton has more actually adult, over 21, than they have under because of all their graduate and professional programs. [AGENCY 48]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 48]

SENATOR HANSEN: Thank you. Mr. O'Neill, it's good to have you here again. I just...the question I have was answered...was asked by Senator Wightman, you answered it, about scholarships and how that affects the independent colleges. I just wanted to relay the point that, of the six of us--my wife and I, our two sons and their two wives--all went to school in Nebraska. And the one son that went to a independent college graduated in four years. The rest of us didn't. [AGENCY 48]

TIP O'NEILL: Well, that's (laugh)...I'm glad to hear that. I mean, I'm not glad to hear that it took you longer but... (Laughter) [AGENCY 48]

SENATOR HANSEN: It did. [AGENCY 48]

SENATOR NANTKES: (Laugh) It did. [AGENCY 48]

SENATOR NELSON: Senator? [AGENCY 48]

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SENATOR HEIDEMANN: Senator Nelson. [AGENCY 48]

SENATOR NELSON: All that tells me is that the student who went to the independent college was a lot brighter than the others. [AGENCY 48]

SENATOR HANSEN: No, that wasn't the point. (Laughter) [AGENCY 48]

SENATOR NELSON: No, I know that's not your point. All right. Thank you for coming in today. Creighton is part of the independent group here. [AGENCY 48]

TIP O'NEILL: Yes, it is. [AGENCY 48]

SENATOR NELSON: It would be my guess that probably they would have the highest number of out-of-state students. Do you happen to know? [AGENCY 48]

TIP O'NEILL: Actually, Union College has the highest percentage. [AGENCY 48]

SENATOR NELSON: Union College. [AGENCY 48]

TIP O'NEILL: Union College is about 84 percent out-of-state, 16 percent resident students. Creighton is about...again, it varies, because they have all the professional programs. I think in undergraduate they're about 50-50. Jim, do you...? Is that...? That's about right. Concordia has a higher percentage of nonresidents, I think, than Creighton does. [AGENCY 48]

SENATOR NELSON: Okay. Thank you. [AGENCY 48]

TIP O'NEILL: Uh-huh. [AGENCY 48]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for

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coming in. [AGENCY 48]

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

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 48? Seeing none, we will close the public hearing on Agency 48 and open up the public hearing on Agency 50, the Nebraska State Colleges. [AGENCY 48]

STAN CARPENTER: (Exhibits 2, 3, 4, and 10) Good afternoon, Senator Heidemann,... [AGENCY 50]

SENATOR HEIDEMANN: Welcome. [AGENCY 50]

STAN CARPENTER: ...members of the committee. My name is Stan Carpenter, S-t-a-n C-a-r-p-e-n-t-e-r, and I am the chancellor of the Nebraska State College System and I am very pleased to be able to be here today and to tell you that, in spite of the difficult economic times in which we find ourselves and the many challenges that I know this committee is facing, there is some good news about the Nebraska State College System and I'd like to share that with you for just a few moments, if I can. We are colleges of opportunity and access. We are here to serve our students and the communities and the state by providing high-quality, accessible higher education opportunities, and we are doing that and much more at this point. Enrollments for the fall term this year have increased across the system by about 1.3 percent, which is a healthy increase given the demographics of Nebraska and given that about 85 percent of our students in the Nebraska State College System come from Nebraska. As I said, we take great pride in the fact that we are colleges of access and opportunity. Our colleges anchor rural Nebraska and our students are provided excellent academic opportunities and student support services. And the majority of our students, when they graduate, remain in the state of Nebraska. The board and I and all of us across the Nebraska State College System are very appreciative of the Governor's support for

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higher education generally and for the Nebraska state colleges specifically in his recommendation for a 1 percent increase in our appropriation, and I want to say thank you to this committee as well for its preliminary recommendation that we receive an increase of 1.5 percent in our general appropriation. I believe that reflects that there's a positive view of the Nebraska state colleges by this committee and a serious consideration of a high priority of higher education in the state of Nebraska as well. I also want to say thank you to the committee for LB605, which was passed in 2006. That program has now allowed Chadron and Wayne and Peru to complete some very important facility upgrades and renovations. At Chadron, the academic administration building has just completed its renovation. It is the largest academic building on campus and it is now a state-of-the-art building. At Peru State College, where I'm also fortunate enough to serve as the president this year, the Al Wheeler Activity Center has just been completely renovated and opened in September, and it is a remarkable, remarkable facility now that serves not only our students but the community as well. And at Wayne there were several projects that LB605 funded for us. The first was the renovation and addition to the campus maintenance building which now brought...or campus services building is what we call it, which brought all of our maintenance folks under one roof and also brought our technological folks under one roof as well. And there was a great renovation to Rice Auditorium basement where those facilities now house classroom space and office space for our faculty in the health, human performance and sports department. All of these were well below grade and code when we started these projects and now, as I said, they are all basically state-of-the-art buildings which serve our staff and our students and our faculty and the public in general very well. I can report to you that applications for 2009, the fall of 2009 class, are up at each institution at this point, and the number of applications for Board of Trustees scholarships, which is our primary merit-based scholarship, if you will, are up by nearly 25 percent from last year. We are well-positioned in the State College System to serve our students and our communities and the state, and the investment that you all make into the Nebraska state colleges is a sound investment, one that I believe gives you great return for what it is that you put into the system. I recently wrote an editorial piece for the Journal Star ,

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and some of you may have read it, may have not, but in it I quoted a poll that indicated that of the recipients, about 67 percent of those recipients, at a 15-year high, were greatly concerned, greatly concerned about access to higher education, and that poll also showed that since 2000 the number of people who are concerned about the ability to attend college because of financial issues had doubled. So in that, in that piece I talked about the access question, and by that what I really mean is the question of greater demand versus the ability to pay for a higher education in this day and age. We are charged, that is the Nebraska State College System is charged, by our very mission to provide access, to assure access to high-quality educational opportunities in this state, and I want to return to that question a little bit later in my testimony. But first, if you'll indulge me, I do want to chat with you a little bit about the budgetary challenges that we will face over the next biennium. Our biennium budget...I'll be happy to answer questions, Senator. [AGENCY 50]

SENATOR HEIDEMANN: Go ahead. Go ahead. [AGENCY 50]

STAN CARPENTER: Okay. Our biennium budget that was submitted in September included what we call a list of our core needs and the increases that we could expect in those core needs, and what that meant was here's what we needed to have as an increase in our potential appropriation just to keep our nose above water, just to keep doing the same things that we've been doing in the past. And it's important for me to note that, unlike every other budget that we have presented to the Legislature in the past, we did not this time present a full needs request. That is to say we looked at what our needs were in our core need area, and in June the board passed a full needs request as our appropriation request. However, as it moved into the fall and it looked like the economy was not going to do very well, and after our board chair had a conversation with the Governor, we went back and took a look at those core needs and that initial request and we amended it downward. And what you have before you then is a request that asks for about 4.99 percent increase for our core needs in the first year and about a 4.75 percent increase in the second year. If that were fully funded, that

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would still leave a gap for us that we would have to then look for some modest or moderate tuition increase from our students to deal with. In that budget submission, we were asked to include a 2.5 percent increase for salary increases for all of our employees, and since that time, as you may recall or may know, we have been in contract negotiations with our three unions. We have three unions in the Nebraska state colleges: the SCEA is the faculty union; the NSCPA is our professional staff union, and NAPE represents our support staff union, which is made up of maintenance and clerical staff. These unions are systemwide, that is to say then any decision that is made for a particular contract affects all three of our colleges across the system. And I must say that this has been a difficult year for us in bargaining. We reached one agreement voluntarily with the NAPE union, wherein we agreed to increase salaries for those employees by \$500 a year for each of the two years, so it was a flat dollar amount for each employee. Unfortunately, we were not able to reach voluntary agreement with either the NSCPA or the faculty union. They went before a special master, which had a hearing in July on both of those units, and the special master's ruling for the NSCPA was that we should increase their salaries by 3.5 percent each year of the biennium. The ruling also indicated that we could do away with, if you will, the step system that was in place at that point, so that will save us money over the course of the long run. We just received our special master ruling on Friday for the faculty. Special master decided that we should increase our faculty salaries over the biennium by 11 percent, 7 percent in the first year and 4 percent in the second year. The difference in cost to us for that order by the special master from what we had put on the table as our final best offer and the union's is \$1.1 million over the biennium. So where does that leave us? It leaves us at this point with an increase in the cost of our core needs of \$8.1 million over the course of the biennium. If we look at the 1.5 percent that you have recommended, that provides nearly \$1.4 million of that amount, leaving a gap of about \$6.7 million that either has to be made up through tuition increases or through serious reductions in the number of staff that we have and programs that we have. After thinking long and hard about this and after talking with the board, talking with the college presidents, and talking with the staff in my office, I am going to kind of come at this a little differently and

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maybe a little precariously with this approach today. And I don't want to keep you here any longer than you have to be because I know you have other things you'd like to be doing, but I do want to disclose what the State College System is facing over the biennium. Our board, our presidents, I, everybody in my office and executive team understands what it is that the state is going through and the condition in which it finds itself, and we know that we've been spared the extremes of other states across the nation and in this region, and we know that there is a record surplus at this point for Nebraska. But we're also very aware that the revenue side of this equation doesn't look nearly as good and we are aware as to what the Forecasting Board did last Friday. When we faced these same or similar circumstances in the economic downturn of 2002, we came to the Legislature with what we considered a three-prong approach to the problem or a three-legged stool or three-legged cow or whatever you want to call it. First, we looked to ourselves. We looked inward and said what can we do. Well, we laid a lot of folks off and we permanently eliminated a lot of positions. That was the first prong. The second prong we did was we came to you and the Legislature and the Governor and said would you please mitigate and minimize our budget cuts as much as you can. And the third prong that we turned to was our students at that point and we went to them and we explained what the circumstances were and they agreed, basically, to pay double-digit tuition increases at that time. Given our focus on access and the economic challenges that we know that our students and our families face at this point, I don't believe we can do that third prong again. So we are in the midst of looking at serious budget reductions across the Nebraska State College System. We have begun this process. We began this process back in late October, early November, and we are going to have to move forward with those significant budget reductions, given the impact of the collective bargaining decisions, the challenges that the state faces, and the circumstances in which we all find ourselves. Unfortunately, in a system that doesn't have a lot of excess programs, we're not overprogrammed academically, we're pretty basic liberal arts institutions with education and business and criminal justice and English and history, the kind of things that you would expect at our institutions, but unfortunately we are now going to have to look at our programs and

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make some very difficult decisions over the next year. We asked the colleges back in November to begin a process to look at these issues. We asked them to go to the faculty and take a look at our academic programs for viability purposes, and the faculty did that using what we call our QARs or our quantitative academic report. Those reports talk about each academic program, the number of student credit hours they produce, the number of graduates they produce, the number of majors they have, their connection to general education, their connection to other programs in the institution, their connection to the community, and so on and so forth. And it shouldn't be a surprise to anyone that all of our programs are viable, that they're important, that they're necessary. So we had to ask the faculty to rank them, basically, from, for lack of a better term, least viable to the most viable. And now, as we look at those kinds of issues that we will have to face in terms of program elimination, we will use that at least as a source for us to consider as we go through this difficult process. We know that our programs are driven by our students' needs and by the critical needs of rural Nebraska and the regions that we serve, and we know that these kind of program eliminations will be painful and I suspect some people will object to them. I suspect that we may hear those objections from various and sundry folks around the state and around the region. But these are difficult decisions that we will have to make and we will work with our impacted students to make sure that we can find them other places to go within the system, hopefully, and if not within the system then other institutions that might offer those affected programs. And clearly, we will want to choose those programs, if we have to, that impact the fewest number of students. But let me then go back to the question of access here in the Nebraska State College System in the midst of all these challenges. We continue to consider the impact to the current economy on the students that we serve and even prior to this economic downturn we know that many, many, many of our students, many, many of our students receive financial aid. And since our mission guides us, our mission of access guides us, I think in this difficult economic time that mission demands that we look at this group of students and carefully find ways to assure that they can find access to higher education. And so as we look at ourselves with the three-prong approach, again, number one, we're obviously looking at program

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reduction and we're looking at position reduction and position elimination. The second thing that we're going to do, and I'm very pleased to talk about today, is that on Friday the Board of Trustees passed a new program wherein Chadron and Peru and Wayne State will work cooperatively to institute something we are now calling the Nebraska State System Advantage Program, and starting next year freshmen who come to our institutions who receive Pell aid, Pell Grants, we will assure they will pay no tuition, similar to the university's plan, so that if they receive a Pell Grant and whatever other kind of grant and aid they receive, if that does not cover their tuition, we will. That will stretch our tuition waiver program substantially at the institutions, but we believe so much in the access mission that the colleges are willing to step up to this, to this new program and embrace it, and we hope that new freshmen will do the same thing as well. Here's the kind of precarious piece that I will get to. So now we will come to you for the third prong of this particular issue that we're facing today. You've agreed or promoted or proposed at least a 1.5 percent increase in our appropriation for this next year, and I recognize that that's preliminary. I would ask you to consider adding another \$1.5 million to that in each year of our biennium. And I recognize that the 1.5 percent will go to directly affect our core needs issues and that's probably about as much as you think you can do for that, and I appreciate that. But if you were to add to our appropriation the \$1.5 million in each year of the biennial request, I would guarantee to you that we would not raise our tuition prices for the next year. And if things stay the same, that is if we don't receive midyear budget cuts in the midst of the first year of the biennium, we would do the same for the second year as well. So what I'm saying is we would hold our tuition level for the next two years if you could provide us with an additional \$3 million over the biennium. That would still leave us in a position to manage a very significant budget issue, a budget hole of \$3.8 million over the biennium to cover our core need increases, but again I would say to you we would not turn to our students to balance that issue on their backs. So that's the kind of precarious position that I've put myself in with you today. Let me move on to a couple other things if I can. Number one is we have a project, a partnership with between Wayne State College and Northeast Community College to build a South Sioux City learning center project. As many of you

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know, we came to the Legislature several years ago; you provided us about \$4 million for the capital construction of that project. We are in the midst of working with Northeast to get that project off the ground. We're raising private money to help finish that funding process and we have been told, the partners have been told, that we can expect some aid from Washington through what is now known as legislatively directed initiatives, and that will go towards equipment and the like for that project. We expect that we will let bids for that project in June and hopefully begin construction shortly thereafter. However, we don't have any money to operate it. And from the beginning of our program and our project statement to you, we indicated that to do this properly we were going to need support from the Legislature to operate this facility. Our share of that would be about \$400,000 and we would ask you to consider that to be phased in over the course of this biennium. This is an extremely interesting project. It's in an area of the state that has been underfunded...I mean underserved by higher education for a number of years. It is a fast-growing area of the state populationwise and it is an area of the state that serves a large minority population. It is why we partnered with Northeast Community College to begin with, because we think those services are essential. Northeast will provide the two-year degrees and the vocational training at this facility; we will provide the bachelor's degrees and master's degrees. But we can't ask Wayne State College to take it out of its hide to operate it. It simply doesn't have the excess revenue to do that at this point, so we would ask you to give that serious consideration as well. We had one strategic initiative in our request to you and that was for \$1 million for issues to improve our campus security at each institution. Many of you know that odd things have occurred at similar institutions over the last year or two with fires and robbers from Montana showing up and those kind of things. That request would enable us to put security cameras and storage devices and door access hardware and so on and so forth, and that's to the tune of about \$1 million and I'd ask you to give that consideration as well. We also support the Governor's recommendation, as well as yours, regarding our depreciation assessments, and this change, as you know, would create a temporary cessation in our depreciation assessments that we would have to pay. We have reduced our core needs requests for those depreciation assessments

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that would have occurred for this biennium. What this would do for us would be to put about \$530,000 into our base over the next biennium. We know, however, that come the biennium after this that we will be responsible to have those dollars back to address those depreciation assessment charges at that point. We have some capital construction requests out for you. Our number one request and number one priority is the Carhart Science Building at Wayne State College. That's been before you before. It's a critically important building for Wayne State College. It was built in the mid-sixties. Every student who comes through Wayne State College goes through that building, either for math or science or both. It is critically important to the Rural Health Opportunities Program that Wayne is so successful in, in working with the Medical Center, as is Chadron as well. It is outdated. It needs work. It needs to be renovated and that is number one on our capital construction list. Next would be the Chadron State College Armstrong renovation/addition and the Chadron State College Rangeland Center, and then followed by some planning money for Peru State College for the athletic complex. I don't know what the impact, by the way, is going to be for the federal stimulus plan for Nebraska, but each of those first three projects are shovel-ready, as they say, or at least Carhart we could start digging today and the other two would be ready in less than six months. So if there is any chance of that, we could submit those projects and hopefully get those going fairly quickly. I understand that there will be no hearings for deficit requests, so if I could speak to our deficit request for a moment, Senator, would that be okay? [AGENCY 50]

SENATOR HEIDEMANN: Sure. [AGENCY 50]

STAN CARPENTER: We included two deficit requests in our appropriation requests this year. The first is in the amount of \$83,000 and that is a transfer from our final appropriation to our debt service from LB1, which was passed in 2002, to our final appropriation to our debt service for LB1100, which was passed in 1999. The Governor supported that recommendation. You supported that recommendation in your preliminary approach and I appreciate that. There is no fiscal impact to the state with

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those dollars. It's just simply a transfer from one bond fund to another bond fund as we pay those off. And, Carolyn, is it LB1100 that's paid off today? Yes. Our LB1100...
[AGENCY 50]

CAROLYN MURPHY: Or, no, I'm sorry, LB1. [AGENCY 50]

STAN CARPENTER: LB1 is paid off today. So we have no more bond debt service to on those, on those particular bonds. The second deficit request and our only major deficit request is one that we came to you last year with, with the university. As you know, we have partnered with the university for a new student information system and that has been a terrific partnership. It's been led by our vice chancellor for facilities, planning, and information technology, Ed Hoffman, and we are in the implementation stage of that. When we came before you last year, it was unclear as to what the final cost of that would be. We had been out ahead of that project. When the Governor asked us to partner with the university, we came back, worked with them very carefully, and they've been a terrific partner with us. We know now that that new student information system is about \$11 million short, \$11.5 million short in terms of our being able to fund the entire project. Our share of that is about \$1.2 million, based on the percentage that we've worked out with the university in terms of our costs. This also allows us then to move our financials and our payroll and our human resources, administrative computing, over to the university's SAP computing system and takes us out of the NIS system. So it's a terrific project. It's been a terrific partnership. We've got people working on it three days a week from every institution coming to Lincoln. There is an office out at 56th and O that you can stop in and see folks working out there. But we need to finish this up with some one-time costs and we'd appreciate your very serious consideration for that as well. So in summary let me say that we are very appreciative of the support that you've shown to us over the years, support that you've shown to us in your preliminary recommendation. We understand and I take it to be as an indicator as your support for the Nebraska state colleges and higher education generally. Wayne, Chadron, and Peru State Colleges are longstanding, strong institutions, and we will

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survive this economic downturn, but we would ask you to help our students as we go through this particular process. We know you face significant challenges, the state faces significant challenges. Our board, the presidents, and I are all extremely aware of that. But we think that this is a way that we could really help our students over the course of the biennium and we would ask you for that support. Again, beyond the 1.5 percent, we're asking for \$3 million over the course of the biennium for tuition relief, an additional \$400,000 for the operating costs for South Sioux City, and then finally our deficit requests and our partnering with the University of Nebraska. And of course, we'd be happy to talk about federal stimulus funds if we know when they're going to get here and how much they can be, and we'd be happy to work with you on that. And I'd be happy to answer any questions you might have. Thank you for letting me take a little extra time today. [AGENCY 50]

SENATOR HEIDEMANN: Thanks for coming in today. Needs are many, resources are few this year, I believe. Senator Nantkes. [AGENCY 50]

SENATOR NANTKES: Thank you, Stan. I think actually my questions came from distinct areas. One was in relation to the partnership, which, thank you, I think you covered that quite well. And maybe this is...I get confused sometimes in remembering which projects go through which, but in regards to the pass-through dollars that have also been sent to the Tri-State Career Center,... [AGENCY 50]

STAN CARPENTER: Tri-State graduates, yeah. [AGENCY 50]

SENATOR NANTKES: ...is that through the state colleges or the community colleges? [AGENCY 50]

STAN CARPENTER: It is through the State College System, yes. [AGENCY 50]

SENATOR NANTKES: State colleges. We've received some correspondence from

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people involved in that program, which I think helps to lay that out, but I wanted to make sure to highlight, that's a separate and distinct issue from the \$400,000 that's in...

[AGENCY 50]

STAN CARPENTER: It is. [AGENCY 50]

SENATOR NANTKES: ...part of this request. Is that right? [AGENCY 50]

STAN CARPENTER: That's correct. That is correct. [AGENCY 50]

SENATOR NANTKES: Okay. [AGENCY 50]

STAN CARPENTER: And in years past there was an earmark on that from the committee. That earmark has disappeared and so there are some, I guess, some issues that the committee needs to think about in terms of the use of that nearly \$45,000...

[AGENCY 50]

SENATOR NANTKES: Uh-huh. [AGENCY 50]

STAN CARPENTER: ...in the future. [AGENCY 50]

SENATOR NANTKES: Okay. Great. Thank you. And then I think make sure to, once we get it scheduled, put that hearing date for LB680 that deals with the federal stimulus dollars on your calendar because I'd love to hear more about some of these shovel-ready projects which I think... [AGENCY 50]

STAN CARPENTER: You bet. [AGENCY 50]

SENATOR NANTKES: ...would be particularly well-suited to utilizing some of those resources, and wanted to point that out. You talked a little bit about the internal process

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that your institutions have gone through in regards to trying to find additional efficiencies, coming up with a short- and long-term plan in terms of tuition and access and some of those things, which I think is fantastic, but...and it's called a QAR, is that right? [AGENCY 50]

STAN CARPENTER: Yes, a quantitative academic report. [AGENCY 50]

SENATOR NANTKES: Quantitative academic report. And you noted that there were some programs that were basically ranked in terms of viability. [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR NANTKES: What types of programs, if you could say, are listed as the least viable and, thus, would be likely candidates in terms of limited resources for reevaluation? [AGENCY 50]

STAN CARPENTER: That's a good question, Senator, and I need to be a little general because... [AGENCY 50]

SENATOR NANTKES: Okay. [AGENCY 50]

STAN CARPENTER: ...we haven't made final calls on this. [AGENCY 50]

SENATOR NANTKES: Okay. Okay. [AGENCY 50]

STAN CARPENTER: But as we look around the system there are programs, for example, in language; there are programs, for example, in perhaps art or as a component of art; and there is a question about a social work program that we have in terms of its continued viability or our ability to continue to support that program. I don't want anybody to walk away from here saying that those are decisions that have been

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made. [AGENCY 50]

SENATOR NANTKES: Absolutely. And to be clear, because particularly in times of uncertainty we'd hate to cause unnecessary fears amongst students or families...

[AGENCY 50]

STAN CARPENTER: Right. [AGENCY 50]

SENATOR NANTKES: ...who are interested in those areas and those disciplines.

[AGENCY 50]

STAN CARPENTER: Of course. [AGENCY 50]

SENATOR NANTKES: But I also think it's very important that we distill for the committee and the body what exactly the impact of our actions are going to be for funding these types of programs... [AGENCY 50]

STAN CARPENTER: Yeah. Well, I appreciate that... [AGENCY 50]

SENATOR NANTKES: ...or not funding them. [AGENCY 50]

STAN CARPENTER: Or not funding, yes. We don't come to that point lightly, as you might guess. As I said, we are not overprogrammed and we don't think that any of these programs really ought to go away. Nevertheless, when we're facing, you know, \$3.8 million or \$4 million gap, if we can convince you to help us with tuition, is a serious number for us and we just have to look at everything that we can. And we've been working, as I said, since November to do that and we don't have the answers yet because we don't have the final pieces of the puzzle. We were clearly waiting for the impact of the special master's decisions. We now have those. We haven't decided on an appeal of those decisions yet but we are working based on those decisions as they

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were handed down at this point. [AGENCY 50]

SENATOR NANTKES: Great. Thank you. [AGENCY 50]

STAN CARPENTER: You bet. [AGENCY 50]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 50]

SENATOR WIGHTMAN: I think I got most of your figures down but what did you say the state colleges' share of the student information, was it \$1.2 million? [AGENCY 50]

STAN CARPENTER: \$1.2 million, and the deficit request, Senator, yes, out of the \$11,400,000. [AGENCY 50]

SENATOR WIGHTMAN: \$11,500,000 I was... [AGENCY 50]

STAN CARPENTER: Or \$11.5 million roughly, yes. [AGENCY 50]

SENATOR WIGHTMAN: Or was it \$11.4 million? I wrote down \$11.5 million. [AGENCY 50]

STAN CARPENTER: Our share is about 14 percent. Ed, is that right? [AGENCY 50]

ED HOFFMAN: Yeah, that's right. [AGENCY 50]

STAN CARPENTER: Our share is about 14. [AGENCY 50]

SENATOR WIGHTMAN: If you were...if we were looking at priorities among these, because your requests are fairly numerous and fairly large,... [AGENCY 50]

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STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR WIGHTMAN: ...you're suggesting \$1,500,000 for each year of the biennium over our preliminary budget to help with the general operational costs and trying to save some tuition increases I guess. Is that right. [AGENCY 50]

STAN CARPENTER: Well, clearly, any money that we get will go to operational costs, but in exchange for that what we would say to you is we won't raise tuition for the next two years, assuming things stay roughly the same. [AGENCY 50]

SENATOR WIGHTMAN: And then the \$1 million for security for the four colleges you mentioned, I think, didn't you? [AGENCY 50]

STAN CARPENTER: Yes, I did, Senator. [AGENCY 50]

SENATOR WIGHTMAN: Where would you place that in priority with regard to the \$1.5 million? Because... [AGENCY 50]

STAN CARPENTER: It's not as important as the \$1.5 million. Not that I don't think it's important but if you're asking me to rank them,... [AGENCY 50]

SENATOR WIGHTMAN: Right. [AGENCY 50]

STAN CARPENTER: ...that's where I'd rank it, below that. [AGENCY 50]

SENATOR WIGHTMAN: And then some of the others are the deficit requests for the current years budget, I gather, the \$83,000 on LB1100 and the shortfall on the student information system. Is that correct? [AGENCY 50]

STAN CARPENTER: Yes, sir. The \$83,000... [AGENCY 50]

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SENATOR WIGHTMAN: They're not in the next biennium. [AGENCY 50]

STAN CARPENTER: ...the \$83,000, Senator, has no fiscal impact on the state. It's just a transfer from one bond fund to another. [AGENCY 50]

SENATOR WIGHTMAN: Okay. [AGENCY 50]

STAN CARPENTER: The SIS project is critically important to us. It's one-time money. At this point it's not ongoing, although, to be quite honest with you and open, we will come back at some point for some operating expenses on that but that's somewhere down the road in the future. But this is a one-time cost that if we can get that final piece of that puzzle funded then we'll have a terrific new system in place that will serve our students and serve our institutions, serve the state in terms of information gathering and information data mining, and so on and so forth. [AGENCY 50]

SENATOR WIGHTMAN: Thank you. [AGENCY 50]

STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR HEIDEMANN: Senator Nelson. [AGENCY 50]

SENATOR NELSON: You have three colleges? [AGENCY 50]

STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR NELSON: What, if you know, what's the total enrollment now in...?
[AGENCY 50]

STAN CARPENTER: Our total enrollment is...well, I can tell you precisely here: 8,700

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students head count in the fall and that translated to about 6,700 FTE students at the three institutions. [AGENCY 50]

SENATOR NELSON: And can you give me an average figure of what tuition is, if that's possible, what they're paying now in tuition? [AGENCY 50]

STAN CARPENTER: I can, Senator. The tuition rate for 2008-2009 is \$116.50 a credit, per credit hour. [AGENCY 50]

SENATOR NELSON: Per credit hour? [AGENCY 50]

STAN CARPENTER: Yes, and we charge per credit hour, Senator. [AGENCY 50]

SENATOR NELSON: Okay. All right. Thank you very much. [AGENCY 50]

STAN CARPENTER: You bet. [AGENCY 50]

SENATOR NELSON: Appreciate your testimony. [AGENCY 50]

STAN CARPENTER: Thank you. [AGENCY 50]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for coming in today. [AGENCY 50]

STAN CARPENTER: Thank you, Senator. Thank you. [AGENCY 50]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 50? [AGENCY 50]

BILL PATH: Good afternoon, Senators. [AGENCY 50]

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SENATOR HEIDEMANN: Welcome. [AGENCY 50]

BILL PATH: Members of the Appropriations Committee, my name is Bill Path, P-a-t-h. I'm the president of Northeast Community College in Norfolk, Nebraska, and I'm about to do something that's probably very unusual for a community college president to testify in favor of the Nebraska State College System appropriation request, but I intend to do just that and I don't think that it would be any surprise for you because of the very unique partnership that Chancellor Carpenter has explained. For about the last six years, Northeast Community College has been working with Wayne State College, because we serve a very similar service area in the northeast corner of the state, to address the needs that we've identified in a region that is called the Siouxland area. When we looked at the Census Bureau data in the year 2000, Dakota County was one of the fastest growing counties in the state of Nebraska and when we saw other independent data from the Lumina Foundation that indicated underserved counties across the country, Dakota County and its neighbor, Thurston County, were two of the least served counties for higher education in the entire nation, we realized that there was certainly an issue that needed to be addressed. Northeast Community College and Wayne State College are proposing to build a joint operation and it's called the South Sioux City College Center, and it will be the first of its kind that we know of where you have two completely...fifty-fifty partners in a project such as this. Northeast has been operating an education center in South Sioux City for some time within the last three years in a newly designed facility that we're renting from the city, and our numbers have grown up to around 300 students at this point, many of which are eager to go on and earn bachelor's degrees through Wayne State College. The operational funds that are in the state colleges' appropriation request in front of you now would go towards the salary needs that Wayne State would have, would go towards their O&M operations and will certainly be matched by the board of Northeast Community College, as we have matched everything along the way thus far. The time line that Mr. Carpenter described for you is exactly accurate. We are hoping to let bids and start construction on the major

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main facility this summer and have major operations ready to go by the January of 2011. We realized some time ago that Northeast could have built a facility on one side of the highway and Wayne State College could have built a facility on the other side of the highway and we could have competed against one another, and neither one of us would have come out ahead on something like that. And I must really commend the State College System for their willingness to partner with the community college in such an operation. They're going about it in a very unselfish fashion. Our hope is to have a seamless institution. When a student parks in the parking lot and walks in this building, they literally will not know where Northeast Community College ends and Wayne State College begins. Yes, freshmen, sophomore courses we offer by Northeast Community College, along with comprehensive technical vocational offerings and business and industry offerings. But junior, senior level courses and any graduate offerings would be offered by Wayne State College to provide a complete package. And I must tell you that residents of Dakota and the surrounding regions are extremely eager to see this project advance and to move forward and to create opportunities to keep more young people in northeast Nebraska for their education. Funding is going very well on this. I want to thank the state for your commitment already to assist with the construction phase of this. My board of governors of the political subdivision have decided to match the amount that was put forward by the state. Currently, we're engaged in a capital campaign and so far more money has been raised in South Sioux City on this capital campaign than any other capital campaign that they've ever waged in their history. The city itself has donated 57 acres of land which is equivalent of about \$2 million, and, frankly, we do have the money now to build the building but we are continuing to work with Washington, on the equipment needs that we have, for grants and through the appropriation process, and we have every reason to be optimistic there. We're excited about this project and we're excited to have the state of Nebraska as a partner on this project, and as we're moving forward to look at the operation we would love to have you consider that favorably as you're considering the budget from the State College System. And I would be honored to address any questions that I might be able to. [AGENCY 50]

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SENATOR HEIDEMANN: Does anybody have any questions for Mr. Path? Seeing none, thank you. [AGENCY 50]

BILL PATH: Thank you very much. [AGENCY 50]

SENATOR HEIDEMANN: Is anyone wishing to testify on Agency 50? [AGENCY 50]

LYNN BARTECK: One more at least. [AGENCY 50]

SENATOR HEIDEMANN: Come on. [AGENCY 50]

LYNN BARTECK: Thanks. (Exhibit 5) My name is Lynn Barteck, L-y-n-n B-a-r-t-e-c-k. I'm director of the Tri-State Graduate Center in Sioux City and South Sioux City and North Sioux City, South Dakota, and I know you've received material about my request. And I know how difficult times are in the State College System and we've been part of their budget since 1994. But on occasion, when things get difficult and they need to make those cuts, then often we're one of the things that gets cut. What I want you to know is that the Tri-State Graduate Center is a unique program. As far as I know, there's only one other operation like this in the United States and that's in the Quad Cities, Iowa and Illinois, where it's a border city and they're able to pull in graduate programs from, in their case, two states, in our case three states, and give people in our area access to these programs. The reason the Graduate Center started in the first place was to provide not only education but to serve as an economic development tool, and we've been doing that since 1990. So the chambers of commerce, the three chambers of commerce, the economic development people in the three state use materials like what I just handed you to send out to prospects when they're looking to bring in a company. And Chancellor Carpenter and Dr. Path both mentioned how South Sioux City is an area that's really developing, getting some interesting new industry in there, and I think the Graduate Center, after almost 20 years, is still very relevant. One school can't...Wayne State has great graduate programs and have...they've been a

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partner of ours for a long time, but they have two graduate degrees. What we want to provide for the people of northeast Nebraska is choice and variety and different kinds of degrees than what one or even four universities can possibly provide. Like I said, it's important for economic growth. It's important for the citizens. Our mission is to provide the citizens of our region with access to quality graduate degrees. And I know there's a lot...there are a lot of degrees on-line, but I also know because I've looked, I've searched for a graduate degree on-line just to see if I could do it, and it isn't all that easy. You get all these little pop-ups from the for-profit schools and they pay to have their name come up first, so it's difficult. So what we're able to do, there are only two of us in the office, but what we're able to do when people call and say, I want an MBA, well, you have four choices from our partners. And we don't tell them which one to do but you say, here are your choices and here's the difference in cost, give them all the material, you know, and you decide and then, if you need help, we'll help you. But the first thing we do is get them to that school, whichever one they choose, and then everything else happens with that school. They enroll, they register for classes, they pay their money. They don't give us any money. We don't charge anything for this. Now this really is an investment. It occurred to me driving down here this morning that I would hate the Tri-State Graduate Center to be only represented by two Nebraska schools, which would be Creighton and Bellevue, because they pay us independently. I mean, we like working with UNL and UNO and the three colleges. I guess that's all I want to say and I will take your questions, but then I have one for you that I just thought of while I was sitting out there. [AGENCY 50]

SENATOR HEIDEMANN: Are there any questions for Ms. Barteck? Senator Harms.
[AGENCY 50]

SENATOR HARMS: In regard to the Tri-State Graduate program, now has your...help me better understand now, has your budget been cut? Is that what you...was that what you're saying to me? [AGENCY 50]

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LYNN BARTECK: Well, it was taken out of...it's gone through...it's run through the State College System. [AGENCY 50]

SENATOR HARMS: I understand that. So has that part of it been eliminated? [AGENCY 50]

LYNN BARTECK: And it...and as Chancellor Carpenter said, there was at one point an earmark put in and that happened because that was the last time they pulled us out, and we brought it to this committee and the committee put it back in, in the form of an earmark. What I'm asking you is...I mean, I don't care how you put it back in. (Laugh) I'm asking you to put the money back in the budget because it's not in there now. [AGENCY 50]

SENATOR HARMS: Could you help me out? How much would that be? [AGENCY 50]

LYNN BARTECK: Well, I'm kind of embarrassed to say it's almost \$45,000. But when people are here I know in terms of millions of dollars, that's not much. But I recognize that even \$45,000 is a lot. But it's 31 percent of my budget. [AGENCY 50]

SENATOR HARMS: So if you didn't have the \$45,000, what services would you cut? [AGENCY 50]

LYNN BARTECK: Well, there aren't any services I could cut. I, you know, there are two of us. I don't know. [AGENCY 50]

SENATOR HARMS: Thank you. [AGENCY 50]

SENATOR HEIDEMANN: Senator Wightman [AGENCY 50]

SENATOR WIGHTMAN: You may have said. Where are your other sources of funding

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other than this? [AGENCY 50]

LYNN BARTECK: The state of Iowa contributes about 58 percent and, of course, they're in...(Recorder malfunction--some testimony lost.)...maybe a 9 percent cut from them but, you know, I can...a 9 percent cut, somebody else mentioned, we just won't buy toner cartridges for awhile. You know, I can live with a cut. What's harder to live with is nothing. So...and then the...we work with two schools right now in South Dakota and they contribute individually because the South...South Dakota doesn't do this. They make their schools be independent. And so we get money from them, and then the private schools also contribute individually. [AGENCY 50]

SENATOR WIGHTMAN: So... [AGENCY 50]

LYNN BARTECK: And those are the only sources of funding that we have. [AGENCY 50]

SENATOR WIGHTMAN: So the private schools in Nebraska must be... [AGENCY 50]

LYNN BARTECK: Bellevue and Creighton. [AGENCY 50]

SENATOR WIGHTMAN: Bellevue and Creighton. [AGENCY 50]

LYNN BARTECK: Yeah. [AGENCY 50]

SENATOR WIGHTMAN: Are the only two that provide funding. [AGENCY 50]

LYNN BARTECK: Right. Right. [AGENCY 50]

SENATOR WIGHTMAN: Can you tell me about how much they provide in the way of funding? [AGENCY 50]

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(Recorder malfunction--some testimony lost.) []

LYNN BARTECK: ...contribute \$1,000 a year. [AGENCY 50]

SENATOR WIGHTMAN: And South Dakota, as you said, provides some funding?
[AGENCY 50]

LYNN BARTECK: Yeah. With them, with each of those schools, it's more like \$3,500
each. [AGENCY 50]

SENATOR WIGHTMAN: But they do it through the colleges rather than through the
state. [AGENCY 50]

LYNN BARTECK: Directly. Colleges contribute directly. [AGENCY 50]

SENATOR WIGHTMAN: And are they private or public colleges? [AGENCY 50]

LYNN BARTECK: Public. [AGENCY 50]

SENATOR WIGHTMAN: Thank you. [AGENCY 50]

LYNN BARTECK: You're welcome. [AGENCY 50]

SENATOR HEIDEMANN: Even if we wouldn't earmark this, if you would convince the
state college system that this was a priority they could still do this. Isn't that correct?
[AGENCY 50]

LYNN BARTECK: They could. What I decided to do was to...because I'm not sure when
they will make that decision and I thought if I lose this opportunity to come here and talk

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to you, then I'm, you know, betting everything, so to speak, on whenever they have their hearing and the ability to convince them to do this. So you're right, there's still that option and I'm sure I can think of other options too. But are there other questions?
[AGENCY 50]

SENATOR HEIDEMANN: Senator Nantkes. [AGENCY 50]

SENATOR NANTKES: But just to be clear about... [AGENCY 50]

LYNN BARTECK: Uh-huh. [AGENCY 50]

SENATOR NANTKES: ...the previous relationship in context wherein this program, your program, was funded, I think what's difficult about saying if this is a priority for the state colleges then they should find the funding, it's not really a program of theirs. [AGENCY 50]

LYNN BARTECK: I agree. [AGENCY 50]

SENATOR NANTKES: I mean they have served as almost a fiscal agent rather than...and I'm sure a partner and are supportive... [AGENCY 50]

LYNN BARTECK: Yeah. [AGENCY 50]

SENATOR NANTKES: ...generally, of course, of your work, but this isn't one of their programs. [AGENCY 50]

LYNN BARTECK: Right. [AGENCY 50]

SENATOR NANTKES: Right? [AGENCY 50]

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LYNN BARTECK: Yeah, and I think that...and that was where my question was going to be. I think what happened in 1994, when we got the state funding, Wayne State College was the only participant from Nebraska. So when we got the state funding, it was routed through Wayne State. Well, after we got the state funding, then we could add UNL and UNO and recently Chadron and Peru, and in a way I thought of that. In a way, it doesn't seem fair that it's the state college system alone who has to bear this expense when UNL and UNO in a sense are...nothing is coming out of their budget. This is certainly an economic development strategy, nobody is taking money out of the economic development fund to help with this. So my question to you was going to be, is there a way to do this differently so that they don't bear the whole brunt? I can understand why we would be low on their priority list. [AGENCY 50]

SENATOR NANTKES: Right. [AGENCY 50]

LYNN BARTECK: But I think we should be high on the state's priority list, but I don't know how to make that happen. [AGENCY 50]

SENATOR NANTKES: Well, this is a good start. (Laugh) [AGENCY 50]

LYNN BARTECK: All right. [AGENCY 50]

SENATOR HEIDEMANN: Senator Nelson. [AGENCY 50]

SENATOR NELSON: You show on the front of your magazine here--thank you very much for coming in--supporting institutions, basically community colleges. Now are they providing any financial support or some other type of support to you? [AGENCY 50]

LYNN BARTECK: They're not providing financial support but if we...we don't have much...we don't have an equipment budget so let's say we needed...our copier died. We could go to maybe a community college and say, do you have an old copier that we

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could use? Or we've needed other kinds of support, advice about a Web page or different things, expertise that maybe Western Iowa Tech or Northeast has that we need and we can talk to one of their technical people and get some help, and a lot of times it's just moral support. And they all do have a seat on the board, too, so they provide guidance in that sense. [AGENCY 50]

SENATOR NELSON: Thank you very much. [AGENCY 50]

LYNN BARTECK: You're welcome. [AGENCY 50]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [AGENCY 50]

LYNN BARTECK: Well, thank you very much. [AGENCY 50]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 50? Seeing none, we will close the public hearing on Agency 50, open up the public hearing on Agency 83, the Community Colleges. Welcome. [AGENCY 50]

DENNIS BAACK: (Exhibit 6) Senator Heidemann and members of the Appropriations Committee, for the record, my name is Dennis Baack, D-e-n-n-i-s B-a-a-c-k. I'm the executive director of the Nebraska Community College Association. We certainly do want to express our appreciation for the work that you're going through. I know how difficult it can be. I, in visiting with my counterparts across the country, I'm finding that we're in pretty good shape in this state as far as funding for higher education goes. Some of them are experiencing some double-digit midyear budget cuts, which are very difficult when that has to happen. So we are very appreciative of the work that you're doing. I will try to be very brief with this presentation. I do want you to understand that in the last year, as we're going into the new funding formula that we have for community colleges, it becomes...there is quite a link between what the Appropriations Committee

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appropriates, how much money you appropriate for community colleges, and what the local effort rate or the property tax rate will be at the local level. There is a distinct relationship between the two. In the past, that wasn't necessarily the case that it was as distinct as it is today, but there is a distinct relationship there. You've got a couple of...I think you've got a packet of information there. The first two documents show what would happen for community college aid under the Governor's recommendation at a 1 percent increase. The second sheet shows what would happen with the Appropriations Committee at a 1.5 percent increase. And I just want to point out a couple of things on that sheet and one of them is, is that if you look at the local effort rate you will see that there isn't a lot of difference in the two but you will see that as you appropriated an additional .5 percent the local effort rate dropped. Local effort rate is approximately...for every \$1.4 million that you appropriate it changes it by .1 of a cent. That's basically what happens within the formula and that's what changes in that. So you can see that there's some slight changes there. There's not a dramatic change, at least I don't think it's dramatic. It goes from 6.6 up to 7.4. And I might explain that that's why you saw the request, the original request that we had was a substantial increase, because we were making the assumption that we wanted to keep the local effort rate where it was when...as it was established last year. And so that's why you saw the increase of about 11...I think 11 or 12 percent, you know, over the two years. Well, that's...you know, this year that's not very realistic, we understand that. But I just wanted to let you know exactly what happens to the local effort rate as you appropriate dollars to the community colleges. For the majority of the community colleges, the important number for them is actually clear down at the bottom and that's the resources available to the colleges to run their schools. One of the things that's a feature of this formula that we have not had in the past is that they will always have access to the resources to run their colleges. Now those resources, the source of those resources can change over the year and as you appropriate dollars, it will what they can levy in property tax. And as they change, as they increase tuitions, that will change what happens also because the formula is based on resources, needs minus resources equals revenue. You know, that's how it works. So that's what we have there. The other, the colleges are very...most of the

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colleges are very comfortable with this formula, feeling that they do have the ability to run their colleges the way they want and the way that they need to. How are we going to deal with a lesser amount from the Appropriations Committee and not at the level that we requested to keep the local effort rate? I think that's going to vary by college, of course. We're going to...one of the things that we're seeing already is that in tough economic times, which always happens, our enrollments are starting to go up. They're going up at all the colleges right now. They're all seeing some increases and some of them as high as 5 percent, some of them even over that. So that's going to always happen. Whenever you get into a downturn in the economy, we see our enrollments go up. So we're going to have to deal with that and, as colleges deal with that, they're going to have...there's going to be different ways of dealing with it. Some of them are going to look to tuition, they're going to be very, very careful about tuition of course because we talked about accessibility earlier, and one of the roles of the community colleges I think is to be the most accessible for students in the state, for the citizens of the state, to be the most accessible. So we got to make sure we don't get our tuitions too far out of line when we do that. So they're going to be very careful about that. They're also very careful about property tax. As you know, property tax isn't always the most popular way of raising funds and my boards are always very, very careful as they try to raise property taxes to support increases that they might need. There's going to have to be some budget cuts made, there's no doubt about that. Some of the colleges have instituted zero budgeting for the next year to say we've got to hold the line, we're not going to go up anymore. We want to make sure we don't raise tuition very much because of the access issue. So there's going to certainly be some budget cuts. My colleges go through reviews of programs every year. They're constantly reviewing their programs. They're probably...there may be some programs that are not viable yet at some of the colleges and they may be cut in the next year. I notice where Western, at their last meeting, voted to actually reduce the number of hours of some of their people who are under contract because those programs aren't being utilized in the summer. So they're reducing their hours and stuff and their contracts are going down. So that's one of the ways that we're...that's some of the ways that they are dealing with the drop in

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funding that's going to be available to them. I don't think I have any more than that to add to this except that we appreciate the work you do. We understand the circumstances you're in. All of us can see that. We saw what the Forecasting Board did last Friday. Understand that you have some very difficult decisions to make and we will do the best that we can to continue to provide a good quality education across the state at the best price that we can. And with that, I'd be happy to answer questions if there are any. [AGENCY 83]

SENATOR HEIDEMANN: Thank you for coming in today. Senator Wightman. [AGENCY 83]

SENATOR WIGHTMAN: Thank you, Dennis. Good information. You said you were looking as high as 5 percent, maybe more than that, on some of the community college... [AGENCY 83]

DENNIS BAACK: Enrollments? [AGENCY 83]

SENATOR WIGHTMAN: ...enrollment increases next year. [AGENCY 83]

DENNIS BAACK: Uh-huh. [AGENCY 83]

SENATOR WIGHTMAN: Do you know how that compares with the state colleges and the university system? Have you heard any figures on that? [AGENCY 83]

DENNIS BAACK: Well, I don't think that you're going to see them increase as much in down economic times. Ours does it more because of layoffs and stuff in business and industry, and you see people coming back to get training or retraining and that's mostly where our enrollments or our increases take place. They don't necessarily take place in full-time students who are going for an associate's degree. It's people that are looking for specific kinds of skills and stuff that they can maybe get a better job or maybe

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increase their standing at the present job that they have. So you don't see...I don't think you'll see as much increase at the university and the state colleges as you will at a community college in the down economic times. [AGENCY 83]

SENATOR WIGHTMAN: And I've always thought, and what you're saying bears that out, that probably colleges are the most recession-proof from the standpoint of students wanting to attend. It's not recession-proof as far as resources and funding, obviously. [AGENCY 83]

DENNIS BAACK: Correct. No, it's not, but for students and stuff it...I mean for as far as number of students, we will see an increase over the next couple of years I would guess. [AGENCY 83]

SENATOR WIGHTMAN: Because there's less employment, they look at going to college and maybe improving their earning capacity down the road I guess. [AGENCY 83]

DENNIS BAACK: Right. And it's a changing work environment too. Some of them are getting some new skills and stuff to get some...to look at. I think you're going to start seeing, you know, we're going to start doing some things in wind energy and other kinds of programs. We've got some ethanol programs and stuff that we have in the community colleges to try to start addressing the new green technology that's coming out there. So we have to always be ready to try to meet those needs that are going to be coming up wherever they might come up across the state, and I think we're fairly flexible and fairly good at doing that. [AGENCY 83]

SENATOR WIGHTMAN: Thank you. [AGENCY 83]

DENNIS BAACK: Uh-huh. [AGENCY 83]

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SENATOR HEIDEMANN: Are there any other questions? Senator Mello. [AGENCY 83]

SENATOR MELLO: Dennis, thanks for coming in and testifying today. [AGENCY 83]

DENNIS BAACK: Sure. [AGENCY 83]

SENATOR MELLO: And maybe you could just give a little background or some background information here on the local effort rate maximum levy. How many colleges are at their maximum levy right now, if any? And then how many are meeting their local effort rate? I mean is it a fairly consistent, across the board, all colleges are meeting that, or are there...? [AGENCY 83]

DENNIS BAACK: Yeah, they're all...that's a very good question, by the way. They are, they are very close to that local effort rate. A couple of the colleges are right at it. The other ones are over that local effort rate. The rural ones tend to be over that local effort rate. And I think two or possibly three of them are at the maximum. [AGENCY 83]

SENATOR MELLO: Okay. [AGENCY 83]

DENNIS BAACK: And that local effort rate can...you can vary either 20 percent above or 20 percent below that local effort rate, so that's how they get to go over that local effort rate. They can go 20 percent over that. It still creates a very tight range of levies across the state. We used to have very wide varying levies across the state. This kind of tightens that down again so it's not such a wide, wide variation. But we're going to have...we're going to have a couple of colleges, with the growth that they're experiencing, that are going to probably be at the maximum again. [AGENCY 83]

SENATOR MELLO: Okay. And one other questions is... [AGENCY 83]

DENNIS BAACK: Sure. [AGENCY 83]

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SENATOR MELLO: ...just looking at your...the third column down or going across there,... [AGENCY 83]

DENNIS BAACK: Uh-huh. [AGENCY 83]

SENATOR MELLO: ...the total aid, can you explain why? It appears that you have four colleges that end up losing aid over the next three years and only two that look to be gaining an increase in aid. Can you explain why that's...kind of why that's taken place? [AGENCY 83]

DENNIS BAACK: Yeah. As the formula goes into place, and we actually do the next steps, the next step of the formula, there's one more year of a step of the formula going in place, and what happens is, is one of the things that Senator Raikes was attempting to do in his formula was to bring the amount of dollars that go per FTE student in colleges that are of like size to get those much more similar. And what you have in Nebraska is you basically have three tiers of colleges. You have Metro and Southeast, who are very much the same as far as size goes. You have Northeast and Central, who are very much the same. And you have Western and Mid-Plains. So what you're going to see is you're going to see that...those dollars that go per student and stuff are going to be brought into much closer range than they are today. And one of the things that you have to do, to do that, is Southeast was funded the lowest of all the colleges per student and stuff and so they're going to get a bump to move themselves up and you're going to see some other ones. Central was fairly high compared to Northeast; you're going to see them drop a little bit. Now the key number for those both, all those colleges, is still down in the bottom where they still have the resources to keep their college going and to run their college. And I know that Central Community College it looks like they ought to be screaming bloody murder because of the way this works, but they are very comfortable in the way that it works because they are looking further out into the future to see how it treats them as they go out into the future, and they feel that as they go out

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into the future it treats them very well. There's going to be a little bump for...it's going to be a little bumpy road for awhile, but it's going to treat them very well as they get out in the future. [AGENCY 83]

SENATOR MELLO: Is any of it based on growth? I mean any of that based on... [AGENCY 83]

DENNIS BAACK: Oh, yeah, there's a growth factor. [AGENCY 83]

SENATOR MELLO: So I mean... [AGENCY 83]

DENNIS BAACK: There's definitely a growth factor in here. [AGENCY 83]

SENATOR MELLO: ...so like the four colleges that are losing money, is that any indication that they're decreasing in growth or...? [AGENCY 83]

DENNIS BAACK: Not necessarily. Not necessarily, because there's actually, as we take the next step in the formula, right now it's a 2 percent automatic growth regardless of what happens at your college. It goes to 3 percent, which is something that we were wanting very badly because we were seeing that inflation was eating up that 2 percent plus an additional. And so we're going to have...so it's going to go to 3 percent. Plus you also get your REU growth, three-year average REU growth on top of that 3 percent. So if you're growing, you get the 3 percent plus your three-year average of your REU growth on top of that so you can grow beyond that. So there is a growth factor built in, yes. [AGENCY 83]

SENATOR MELLO: Thank you. [AGENCY 83]

DENNIS BAACK: Uh-huh. [AGENCY 83]

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SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you.
[AGENCY 83]

DENNIS BAACK: Uh-huh. [AGENCY 83]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 83? [AGENCY 83]

DAVE NEWELL: Not pro and con? I'm going to be on the con side of this. [AGENCY 83]

SENATOR HEIDEMANN: We don't do that on this. Just come up and testify and give us your opinions and views. [AGENCY 83]

DAVE NEWELL: (Exhibits 7, 8, and 9) That's great. Thank you, Senator Heidemann. I appreciate that. I just wanted to make sure I didn't get up at the wrong time. I have an alarm clock at home and I ask those same questions here. My name is Dave Newell and I am the chairman of the Metropolitan Community College board of governors. I'm here today to oppose any increased funding in the community colleges. [AGENCY 83]

SENATOR HEIDEMANN: Could I ask you, are you representing Metro then or yourself?
[AGENCY 83]

DAVE NEWELL: I am representing the Metropolitan Community College and I am the chairman of the board of governors for Metropolitan Community College. [AGENCY 83]

SENATOR HEIDEMANN: All right, thank you. [AGENCY 83]

DAVE NEWELL: The board of governors has opposed any additional funding, and let me just say why. Let me just say, I'm not going to disagree with Dennis, although if you listen not so very carefully you'll notice I am basically disagreeing with Dennis. First of

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all, they asked for \$12 million this year and we opposed it at Metro and we opposed it because we suspected that the real reason for asking for \$12 million was to tell us that everything was going to be okay and that we did not have to fight for a fair funding formula. So we think it was a bait and switch. And so we said right up front, you know, I don't...we can't imagine that a 12 percent increase in funding will go to community colleges this year, and this was awhile back, even before it was really clear that the economy was going south. We just can't expect that to happen each and every year. And lo and behold, they've come around to our way of thinking even though we don't think that that's exactly why they asked for the \$12 million. They outvoted us 10 to 2, which is fairly traditional in the association. Many of you know that we're no longer part of that association. I guess I want to be very simple here and hope that you'll ask questions, but if you won't ask questions at least I got to get the message across. This funding formula is so bad, it's unjust, it doesn't do what it was purported to do. Let me ask you to look at this and, if you go no further, this is the one form, this is the one chart I'd like to have you look at. This chart basically points out that you've increased funding dramatically in the last four years, dramatically, and as a consequence the schools, other than us, have gotten a tremendous amount of additional revenues. And if the equalization part of that formula was intended to hold property tax down, why, it just didn't do it. And in fact, the way it's written it won't do it, it can't do it, because you're encouraging people. You give them more money, because of the local effort, give them more money if they spend more money. And so it should come as no surprise that no one has been able to cut their levies, no surprise whatsoever. It also should come as no surprise that Southeast has got 27 percent increase; Central, 12 or 13 actually--12.99 is close to 13 so I'll round it off; Northeast, 37.3; Western, 33.67; Mid-Plains, 27 percent increase. Now I guess from a simple point of view, you're throwing money at schools that aren't growing. We're the only ones growing. They're not growing but you're throwing money at them. Now maybe they'll grow 5 percent this year, Senator. That's what they say. We'll see. They haven't in the past and so that's kind of the big surprise to all of us. It is true that during hard economic times people come back and retrain, they retool, and so there will be probably a substantial growth at Metro and maybe

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some of the other schools, but it hasn't been the case heretofore. I'd like to have you look at this next chart. This is the FTE student state aid. Yeah, I don't...I've never really understood, and it's been true for awhile but it's getting worse now with this new funding formula, why it takes twice as much state dollars to...per student at Western than it does at Metro. I just have never figured that out. And this is getting worse instead of better. The second one also gives you some pretty graphic details. The one...the first one shows that trend, the second one just shows a shorter history. I guess I could talk a lot about why the funding formula is bad, but this is the Appropriations Committee and I'm the last speaker most likely, and so I know just enough to say that I'll answer questions; that I'd like to create this...some doubt in your mind about the problems with funding community colleges. We set them up originally as local control, local effort, local focus, and to be perfectly honest with you now you've got all but--state control with a funding formula that isn't flexible enough to tailor spending or programs and so forth. You might as well go the whole way and find the money to make a state system. That might be at least a more efficient way. It won't encourage the kind of wasteful, unnecessary, unhelpful spending that's going on right now. I'd be glad to answer questions. [AGENCY 83]

SENATOR HEIDEMANN: Thank you for coming in today. I will say this discussion would probably be better had in the Education Committee but we might have some questions here for you today. This has been a year... [AGENCY 83]

DAVE NEWELL: Well, I'm sorry, Senator. We are asking no additional money. I want to be clear on that. That's why we're here. We don't want you to put any more...in fact, you can take money out of the formula. We'd just as soon you cut. If you need money for any other good programs, this formula is the place to get it. [AGENCY 83]

SENATOR HEIDEMANN: Okay. When they redid the formula, and I am picking up from you that you're not in favor of the new formula, wasn't Metro part of that conversation at that time? [AGENCY 83]

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DAVE NEWELL: You know, the answer to your question is we were part of the conversation and I say part of the conversation because our executive director was running around behind the scenes dealing with members of the Legislature and not necessarily telling us what went on. But we made it very clear, and I guess I could have provided copies of this also, that we would try to make this thing work if they could adjust some, what we called, tweaks at the time, so make some adjustments. But when we...when we came to the committee, we came to the NCCA--by the way, we've always tried to work within the NCCA--the bottom line is that the proposed changes that they agreed that they would submit to the Legislature, there were six of them, only three of them were accepted. But at the same time that happened, there was a switch, a bait and switch again--kind of a constant story, from our point of view--where they moved from FTE, which is what the original bill said, to REUs. And when they did that, it benefited other schools dramatically and took money away from us and will require us, most likely, to raise taxes this year. So everybody else has got all this money; we're growing and because of that growth and because of the lack of funding in the funding formula we will be forced to raise taxes. I wouldn't think they'd have to with the kind of money that they're getting but, you know, that's...we don't run their schools. We'd like to wish they didn't run ours. [AGENCY 83]

SENATOR HEIDEMANN: Senator Harms. [AGENCY 83]

SENATOR HARMS: Mr. Newell, are you representing Metro Community College or are you representing yourself as a citizen? [AGENCY 83]

DAVE NEWELL: I'm representing Metro Community College. [AGENCY 83]

SENATOR HARMS: Okay. Thank you. [AGENCY 83]

DAVE NEWELL: The board of directors has taken a number of positions. We introduced

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a bill that would have basically said that there should be no increases in funding. That bill was originally going to be sent to this committee but it got rerouted to the Education Committee. You know how those things happen. And so while we didn't intend to come down and talk specifically about this appropriation, this is a way of also saying that we don't need the extra money, we wish you wouldn't put it in the formula, we think that frankly you're overfunding it now. So the answer is, yes, our board has taken at least two positions on this. [AGENCY 83]

SENATOR HARMS: Thank you. Mr. Newell, in regard to the Metro Community College system, can you give me the breakdown of your FTEs, academic versus vocational technical? And the actual complaint that you have, that you're not getting enough money, is it because you have more academic students than you have vocational students? And isn't... [AGENCY 83]

DAVE NEWELL: We have the most educational of... [AGENCY 83]

SENATOR HARMS: But isn't that the way that it's weighted? Isn't that the way to get more money, is to actually meet the needs of the people and the clients you're serving in Metro? [AGENCY 83]

DAVE NEWELL: Absolutely. [AGENCY 83]

SENATOR HARMS: And then why are you not doing... [AGENCY 83]

DAVE NEWELL: That's exactly...we could agree on that if nothing else, Senator Harms. [AGENCY 83]

SENATOR HARMS: Good. But why are you not doing that? Why do you have your growth in the academic world? [AGENCY 83]

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DAVE NEWELL: Well, Senator Harms, I think your assumptions are wrong. [AGENCY 83]

SENATOR HARMS: Oh good. [AGENCY 83]

DAVE NEWELL: And...well...and I'd like to explain a couple things. First of all, our REUs, that's reimbursable educational units, are higher than anybody else's. The needs of the vocational programs that we try to meet as many...as much as our community has requested and with the resources we have. As we pointed out, in the last four years, our increase has been 5.9 while the other schools have got substantially more money. So it's not possible for us to do everything that anybody ever asks, but I think our program is quite broad. We've added a number of new directions in terms of truck driving. We've got a new facility that we've purchased instead of building because it was cheaper. Senator Harms, we're doing I think an excellent job. [AGENCY 83]

SENATOR HARMS: Mr. Newell, have you done an actual study of Omaha, what...to see what the business needs are for training programs? And if you do, I'd like to see that study, and then I'd like to compare that against what you're actually doing in your system. Have you done that? [AGENCY 83]

DAVE NEWELL: Well, Senator Harms, I got to... [AGENCY 83]

SENATOR HARMS: No, just answer my question. Have you done that? [AGENCY 83]

DAVE NEWELL: Senator Harms,... [AGENCY 83]

SENATOR HARMS: Uh-huh. [AGENCY 83]

DAVE NEWELL: ...the answer to your question is I don't know. But I know that you want to run that college and so, you know, we'll welcome you down and kind of talk to you

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about how it's done and what we've got available. We can make time available for you to come down and do that because we know of your interest and we'd like to be able to answer all your questions. I am not the right person to answer those questions, but if you'll come down we'll be more than happy to entertain you. [AGENCY 83]

SENATOR HARMS: Thank you. [AGENCY 83]

SENATOR HEIDEMANN: Are there any other questions? Senator Nantkes. [AGENCY 83]

SENATOR NANTKES: Hi, Dave. Thanks for coming down today. And I guess maybe Lavon's comments kicked things off appropriately but it sounds like a lot of this dialogue is really about funding formula issues, which I understand are going to be dealt with in the Education Committee. Is that right? [AGENCY 83]

DAVE NEWELL: Well, actually my comments are about the appropriation. [AGENCY 83]

SENATOR NANTKES: Well, and... [AGENCY 83]

DAVE NEWELL: We'd appreciate you not putting any more money in; in fact, we'd like to have you take all the money out of that, that you can find. Because, to be perfectly honest, it's being spent badly. [AGENCY 83]

SENATOR NANTKES: Okay. [AGENCY 83]

DAVE NEWELL: It's being spent wastefully. [AGENCY 83]

SENATOR NANTKES: And I guess that's really my next question, is that how long have you been on the Metro Community College board of governors? [AGENCY 83]

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DAVE NEWELL: I've been on the board for six years. [AGENCY 83]

SENATOR NANTKES: Six years. [AGENCY 83]

DAVE NEWELL: Right. [AGENCY 83]

SENATOR NANTKES: So clearly you have a great passion for issues related to community colleges. You've dedicated six years of your life to... [AGENCY 83]

DAVE NEWELL: I'm a graduate of a community college. I graduated from Norfolk Junior College back in the days when it was a...before we folded the system. I was around when we created the system and when we added some additional factors here. Metro never had the authority to provide academic transfer programs until I introduced a bill that allowed us for the first time to do that, because we at least needed to do some. All the other schools could but we couldn't so I've been around for a long time and had an interest for a long time and would like to see community colleges serve the population they were intended to. [AGENCY 83]

SENATOR NANTKES: Okay. And so I guess really that my follow-up question then is beyond your service in the past six years on the Metro Community College board of governors, you've obviously had a legislative interest and a personal educational interest within the community college system, and I guess I just want you to make clear for the committee if your request for the funding levels to stay static or to be decreased is really a larger political point that you're making about your problems with the funding formula or if you really, truly believe that we should take actions to decrease resources that are critical to the success of the community colleges operating across the state. And I understand if it's a political point. It's a political arena. You're welcome to make that point. [AGENCY 83]

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DAVE NEWELL: Senator Nantkes, I appreciate very much that question because I think it's an excellent question and it gets to the heart of this thing and I want to try to be responsive. I want to say this; that when you look at where the money is being spent and how it was being spent, remember when we created community colleges it was local control. In fact, there was very little state aid. It was all about local control, all about local efforts, all about looking for servicing the needs. Over the years we've added, and we supported the association to add more money, and over the years, if you look at the history of this, and the history is one of those things I really would love to tell you about--I've done this a couple of times--but in an abbreviated way, the history is all about the other community colleges taking...adding state aid, adding to the pot, and then there's been a switch. The switch is over time, about ten years ago, we switched to this...we have to have cost of living because we're not growing. You've locked in the six districts. You've locked them in. And I got to tell you, the population is shifting. I wish, you know, I wish it wasn't. I really do wish it wasn't, but I can't do anything about that. The population has shifted and so what's happening is there are some schools that are having a harder time servicing their population. And so ten years ago we basically made some changes. We've made changes so often to this funding formula and, you know what, the water in this state runs from west to east, that sort of gravity. But the money runs from east to west. That's our new sense of gravity. And every time there was a change the money went west. This is no different. So I am saying two things, two things. One, we'd like to get back to local control. You're telling us how to run our college. In the old days we were allowed...we didn't quibble over the dollars because we had the freedom to run our college. You're no longer allowing us to run our college. We're going to have to raise taxes because you want us to. You told us we have to. You incented us to do it. And you've not just incented us; you've incented everybody to raise their...I mean you're never going to get property tax relief with this funding formula. It's intended to spend money and that's a mistake. And frankly, so I guess the answer is twofold. Yes, I think we need to stop and, yes, it is a political statement. [AGENCY 83]

SENATOR NANTKES: Okay. And just finally, as a final point, as a general principle,

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and I'm sure you can remember from your time in this august body, but...and I don't know, maybe you agree or disagree with this statement but it's something I believe very strongly, in that when rural Nebraska is suffering that hurts us in Lincoln and Omaha and in the urban areas and, vice versa, I believe, because we have a shared economy, a shared destiny. And so I think that we have to, you know, of course, remember our role as state senators to be more broad and inclusive in our approach, and I'd hope that you could reflect upon those experiences in your current role, which I know is a different mission. [AGENCY 83]

DAVE NEWELL: I've got to tell you I not only agree with that but I need to also remind you that I can't stop the population changes. You've locked in the borders. Maybe there ought to be some consolidation of community colleges. I'm not here to tell you how to run your business. But, you know, if that...if you want efficiency, if you want some sort of accountability, if you want a system that works which, by the way, as state senators I would hope you would, then you've got to throw this out and try to find one that does respond to the needs with the financial ability of this state. And right now, to throw money west, when they are losing population, is a mistake. It's not only a mistake in terms of equalizing opportunity. It's a mistake in terms of a funding formula that, frankly, incents people to spend money. Let me tell you, there's been no reduction, no reduction in tax rates. There's been substantial increases in spending and there's been...I mean, if you look at what you've done as a Legislature, you've given the community colleges lots of money. [AGENCY 83]

SENATOR NANTKES: Okay. Thank you. Thank you. [AGENCY 83]

SENATOR HEIDEMANN: You had just made the comment that the money flows east to west, and I actually live on the eastern part of the state so I'm not going to defend the eastern part of the state. But when you talk about K-12 education, the majority of our equalized districts, which was the ones that don't receive state aid, are on the western part of the state. If you are an unequalized district you get absolutely positively no help

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from the state and I think they would probably argue with the point that you say that money flows east to west, because they get nothing when it comes to K-12 education.
[AGENCY 83]

DAVE NEWELL: You know, I got to say this and quickly. There's some school districts on the western...on the eastern side that don't get any either, but you know there's a big difference. There's a constitutional requirement for the state to provide educational opportunities. When you created the community colleges, you didn't say that it's got to be equal and you didn't say the property tax had to be equal. And let me tell you about the property tax. You know, I sat here and fought the fight over personal property tax exemptions. Well, we exempted business equipment...I mean we exempted business inventory but not business equipment. We exempted farm inventory and farm equipment. You know, after it's all said and done, there has been a substantial and long fought, ongoing reduction of property tax base in the west. Farms, ag land, 75 percent of assessed valuation, that's...there isn't such favored property in the east or in metropolitan area. Let me...because, as you say, Senator Heidemann, there is a lot a part of the east along that river that does have a lot of farmland and has agricultural base, but let me say the reduction in tax base has created a lot of these inequities. And then for you to overlay a system that was supposed to be about local control and try to use...and by the way, I don't consider myself an expert on K through 12, but there's no association. The constitutional requirements are different. The needs are different. Frankly, the association is labored. And if it was true, if it was true, then the next step would be cities because, you know what, we are six independent community colleges. There's a lot of cities that are out there that have the same independent subdivisions of government that we are. And then you'd have to do counties. You know, there's a lot of counties out there, and if you take this equalization thing far enough you'll make a whole lot of people angry, not just Metro. And by the way, one more thing, and this is really important. This bait and switch that I talked about in terms of the FTE to the REU that happened after the original formula, that was done at the very last minute. We opposed it in the association. We said look, guys, this isn't fair and, you know, that to totally

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change this around. They said, well, we'll work with the Legislature to change that. I said, well, listen, let's get that done now, and they promised us they would. And then, when we came back to collect on the promise, they said, oh, you mean that; oh, well, never mind; it doesn't benefit us. So let me just say that the bait and switch happens far too much with these...in this association and with these players. And I think if you look back and really come to understand it, this formula is unsustainable, this formula is unfair, this formula does not what you want it to do if you look at it in terms of what you really want to do. [AGENCY 83]

SENATOR HEIDEMANN: Senator Nelson had a question. [AGENCY 83]

SENATOR NELSON: Yeah, your knowledge of this subject I think is impressive, Mr. Newell. I think you're too modest. I've only been around for a couple of years here. What's your background here? You were involved in taxation when you were in the Legislature and... [AGENCY 83]

DAVE NEWELL: Well, I was in the Legislature long ago, back when John Harms and I used to be on different sides of the table, and then I worked in the Department of Revenue for a number of years. I know just enough about government to know that I don't know enough about government. [AGENCY 83]

SENATOR NELSON: Thank you. [AGENCY 83]

DAVE NEWELL: Thank you. [AGENCY 83]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for coming in today. [AGENCY 83]

DAVE NEWELL: Thank you. [AGENCY 83]

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SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 83? Seeing none, we will close up the public hearing on Agency 83 and we are done for the day.
[AGENCY 83]