

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

Appropriations Committee
March 18, 2013

[LB334 LB400]

The Committee on Appropriations met at 1:30 p.m. on Monday, March 18, 2013, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB334 and LB400. Senators present: Heath Mello, Chairperson; John Harms, Vice Chairperson; Kate Bolz; Danielle Conrad; Bill Kintner; Tyson Larson; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District, and am Chair of the Appropriations Committee. I'd like to start off today by having members do self-introductions, starting over here to my left and your right, Senator Bill Kintner from District 2, representing parts of Sarpy County, Cass County, and parts of Otoe County.

SENATOR NORDQUIST: Senator Jeremy Nordquist from District 7, downtown and south Omaha.

SENATOR NELSON: John Nelson, District 6, central Omaha.

SENATOR HARMS: I'm John Harms of the 48th District, Scottsbluff.

SENATOR WIGHTMAN: John Wightman, District 36, includes all of Dawson and Custer County and part of Buffalo County.

SENATOR CONRAD: Danielle Conrad.

SENATOR BOLZ: Senator Kate Bolz, proud to represent south-central Lincoln in District 29.

SENATOR MELLO: Sitting next to Senator Bolz is Senator Tyson Larson, representing the 40th Legislative District in north-central and northeast Nebraska. Assisting the committee today is our committee clerk, Anthony Circo, and Jacob Fricke, who is a junior at Nebraska Wesleyan and is our committee page. Sitting to my right, your left, is Phil Hovis, our fiscal analyst for the day. In the corner of the room you'll see some yellow forms. If you're planning on testifying today, please fill out the forms in their entirety. It helps us keep an accurate record of the day's hearing. When you come up to testify, please give Anthony the yellow sheet. And when you sit down, please tell us who you are and spell your first and last name for the public record. If you have any paper handouts, please give them to Jacob before you begin. We ask that you have 11 copies of your handouts, but if you do not, Jacob will make additional copies for you. If you are here today and you are not planning to testify but want to be on the record as having been here, there is a white sheet on the back table. We ask that you sign in on that

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

Appropriations Committee
March 18, 2013

sheet, tell us your name and address, the bill number, and if you're here in support or opposition. We will hear bill testimony in the following order: first, the introducer of the bill, followed by supporters, those in opposition, neutral testimony, and ending with a closing statement by the introducer. We will be using a five-minute light system today. There are lights at the front of the table. When you start, the light will turn green. When the yellow light turns on, that is your one-minute warning. And when the light turns red, we ask that you wrap up your final thoughts. At this time, I would ask all of us, including senators, to please check their cell phones to make sure that they are on the silent or vibrate mode. And with that, at this time we will begin today's hearings with LB334 by Senator Jeremy Nordquist.

SENATOR NORDQUIST: (Exhibit 1) Thank you, Chairman Mello and members of the esteemed Appropriations Committee. For the record, my name is Jeremy Nordquist. I represent District 7 in downtown and south Omaha, and here to introduce LB334. The bill would add \$2.5 million each year of the next biennium to the Nebraska Opportunity Grant Program. The Nebraska Opportunity Grant is the state need-based grant program that supports financially needy college students in all sectors of higher education. The program is administered by the Nebraska Coordinating Commission for Postsecondary Education. It is currently funded by the General Fund and cash funds from the Nebraska Lottery. About 42 percent of the money in the program comes from General Funds, and there has not been an increase in that General Funded-component since FY 2007-2008. As a strong supporter and someone who attended a Nebraska independent college and university, I bring this bill to raise awareness about the funding levels of these great institutions. The Nebraska Opportunity Grant Program is the only program that supports students who attend these institutions. Nebraska's private colleges and universities award 41 percent of the bachelor's degrees in Nebraska. They award a higher percentage of advanced degrees. The state's taxpayer, per degree, investment is only \$336. Students who attend independent colleges receive less money and received less money in the last fiscal year than they did in 2001-2002. That's how far the funding has...well, it's relatively the same as it was in 2001-2002. It's actually less than it was at that point in time. You all have a binder in front of you that was prepared by the Association of Independent Colleges and Universities, and Tip O'Neill will be testifying behind me to answer any questions regarding these materials. But there's two that I'd like to point out. On Tab 4, we have highlighted in yellow the Big Ten states, the states that we're competing with when it comes to higher education. And you can see Nebraska ranks far below our other competitors, the Big Ten states, when it comes to funding for students at independent colleges and universities. Also on Tab 6, we see Nebraska's ranking when we compare grants as a percentage of higher education operating appropriations. We rank 40th out of the 50 states. Clearly, it shows that we are historically favoring funding institutions rather than funding direct student financial aid. I see funding for this program aligning with our P-16 goals, and those are identified also in the packet. And with that, I'd be happy to take any questions. [LB334]

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

Appropriations Committee
March 18, 2013

SENATOR MELLO: Thank you, Senator Nordquist. Are there any questions from the committee? Senator Wightman. [LB334]

SENATOR WIGHTMAN: Thank you, Senator Mello. You're asking for \$2.5 million and then \$5 million, I guess, on the second year. Is that correct? [LB334]

SENATOR NORDQUIST: Yeah, that's right. So it would grow two and... [LB334]

SENATOR WIGHTMAN: How much money is presently in that fund? [LB334]

SENATOR NORDQUIST: Total, it's distributed in '12-13 about \$15.2 million. [LB334]

SENATOR WIGHTMAN: What have we been paying out per year, if you know? [LB334]

SENATOR NORDQUIST: Well, \$15.2 million is what's been going out. Of that, about \$10.2 million of that goes out to private universities and about \$5 million--\$4.9 million--goes out to private universities. And that has...that total amount has grown since, you know, the early 2000s. In 2002-2003, ten years ago it was about \$6.2 million. We're up to \$15.2 million, but the share for private colleges as a percentage of that has not grown proportionately back. In '02-03, it was about \$3.9 million went to private institutions. Today it's \$4.9 million. But as a percent of the whole, it used to be about two-thirds of the whole and now it's only about one-third of the whole. And as I said, when you break the private institutions down between career colleges and independent colleges, independent...students who are going to independent colleges are receiving less as a whole than they did in 2001-2002. [LB334]

SENATOR WIGHTMAN: What, Senator, are the sources for the funds that...other than General Funds? [LB334]

SENATOR NORDQUIST: The lottery dollars would be the other source of funds that Nebraska... [LB334]

SENATOR WIGHTMAN: What have we been paying out of that per year? [LB334]

SENATOR NORDQUIST: Well, it all comes together, and 42 percent of the total. So 42 percent of the \$15.2 million is General Funds and then the rest is lottery dollars. So I don't have...I didn't do that math but maybe someone behind me could. Oh, under Tab 2. I'm sorry. Tab 2 must do the breakdown on it, one of the pages there. So it's a...yeah, okay, so it's about \$6.4 million in General Funds and about \$9 million in cash funds in the lottery dollars. [LB334]

SENATOR WIGHTMAN: Thank you. [LB334]

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

Appropriations Committee
March 18, 2013

SENATOR NORDQUIST: Yep. [LB334]

SENATOR MELLO: Are there any further questions from the committee? Senator Bolz. [LB334]

SENATOR BOLZ: Thanks, Senator Nordquist. A couple of questions for you. I'm new to the committee, so am I right in understanding--just a clarifying question--that this funding opportunity follows the student? [LB334]

SENATOR NORDQUIST: That's right. [LB334]

SENATOR BOLZ: It is the student's choice and they can make their own decisions about what they think is the most financially reasonable school for them, the best fit, the best academic fit for them. [LB334]

SENATOR NORDQUIST: Exactly. [LB334]

SENATOR BOLZ: And...thank you. And my other question is, is it your intention that this additional funding increase the number of students receiving grants or increase the average grant award, or is it up to the participating students and institutions? [LB334]

SENATOR NORDQUIST: It would increase the grant, because eligibility wouldn't change, so it's distributed amongst Pell Grant-eligible. [LB334]

SENATOR BOLZ: Increase the grant award. [LB334]

SENATOR NORDQUIST: And I think Senator Harms has a bill that would tweak that a little bit, but...so it would expand the award amount. Yeah. [LB334]

SENATOR BOLZ: Thank you. [LB334]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Senator Nordquist. We will first take supporters of LB334. [LB334]

THOMAS O'NEILL: Senator Mello, members of the Appropriations Committee...the red light went on already (laughter). [LB334]

SENATOR MELLO: You're done. (Laugh) [LB334]

THOMAS O'NEILL: I guess. I hope that's not a sign. My name is Tom O'Neill in Sumner, Nebraska, and it's Tip in Lincoln. That's T-i-p O-'-N-e-i-l-l. I'm the president of the Association of Independent Colleges and Universities of Nebraska, and I did prepare the materials that Senator Nordquist handed out, and I provided you with a copy of

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

Appropriations Committee
March 18, 2013

those I think last Friday in the Rotunda. And hopefully you didn't spend all your weekend reviewing them and hope you had some fun this weekend, because it was a holiday weekend and...but, you know, we are a major participant in the higher education structure in this state. We award 40 percent of the bachelor's and advanced degrees. And many of you have had experiences with private nonprofit colleges and universities in this state and you know how important we are. The fact remains that since the elimination of the Postsecondary Education Award Program in 2003, that we have gone backwards in terms of state support of students who attend our institutions. And while we have continued to make efforts to reinstitute that program, and we have a bill pending over in the Education Committee right now that would reinstitute that program as the College Choice Program, the only program that our students get funds from is the Nebraska Opportunity Grant Program. And that is a program that funds students in all sectors of higher education: the public sector, the private nonprofit sector, and the private for-profit sectors of higher education. It's money that follows the students. And you know, one of the reasons that I asked Senator Nordquist to introduce the bill this year is because before this session started all we were really talking about, well, all the talk we heard about was how much we were going to reduce operating funds for institutions, and in terms of the amount of money that that would take to freeze tuition levels in public sector institutions. And there really wasn't much discussion about how much we were going to increase need-based grants for needy students attending those institutions. And if you look at the students who attend colleges and universities in Nebraska, there's not much difference in terms of family incomes of students who attend four-year institutions between the four-year publics and the four-year private nonprofits. The family incomes are remarkably similar. So what we are saying is, you really ought to look at need-based grant programs in the same way that you look at operating support for four-year publics, and hopefully take a look at that; because Nebraska as a state, as Senator Nordquist indicated in his testimony, ranks very low in terms of the amount of money we provide for grant programs versus the amount of money that we provide for institutional operations. And I'd be happy to answer any questions you might have. [LB334]

SENATOR MELLO: Thank you for your testimony, Mr. O'Neill. Are there any questions from the committee? Senator Harms. [LB334]

SENATOR HARMS: Thank you very much for your testimony. You get money, don't you, from the ACE program? [LB334]

THOMAS O'NEILL: Excuse me? [LB334]

SENATOR HARMS: You get...don't you get some scholarship dollars available from the...through the ACE program, where they can enroll in the high school and the college at the same time? [LB334]

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

Appropriations Committee
March 18, 2013

THOMAS O'NEILL: We do have some...a couple colleges that participate in that program. Yeah, I think Nebraska Wesleyan may participate in it. [LB334]

SENATOR HARMS: Okay. So you get more than just this. This is your major supply... [LB334]

THOMAS O'NEILL: Yeah, I don't...yeah, and again, I don't...that's more of a contractual type program so I don't know how that works exactly. It's a college-by-college basis...program. Yeah. I don't know how that money is allocated. [LB334]

SENATOR HARMS: Well, the ACE program is just available where counselors can make, you know, application for the student, help them fill out the forms, and they can go to both a public or a private or a community college or whatever it might be,... [LB334]

THOMAS O'NEILL: Right. [LB334]

SENATOR HARMS: ...and we get them started. And these are needy low-income basic students who never get the opportunity to start... [LB334]

THOMAS O'NEILL: Who are high school students, right? [LB334]

SENATOR HARMS: They're high school students, yeah. [LB334]

THOMAS O'NEILL: Right. [LB334]

SENATOR HARMS: So I think there's quite a bit of dollars that comes...that actually private schools get through this program. You might want to take a look at that. I think it's more than what you might think. [LB334]

THOMAS O'NEILL: Right. I know it's a program that's grown significantly the last couple of years. [LB334]

SENATOR HARMS: Yeah, it is, and it's going to continue... [LB334]

THOMAS O'NEILL: It's been a good program, I know. [LB334]

SENATOR HARMS: It'll continue to grow. They've got about 1,700 students involved in that program. It's a lot. [LB334]

THOMAS O'NEILL: Um-hum. Yeah. [LB334]

SENATOR MELLO: Senator Wightman. [LB334]

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

Appropriations Committee
March 18, 2013

SENATOR WIGHTMAN: Thank you, Senator Mello. Mr. O'Neill, I'm glad you pointed out that you were from Sumner, Nebraska. [LB334]

THOMAS O'NEILL: It is a fine place to be from, Senator. [LB334]

SENATOR WIGHTMAN: Good place. And I know that they've sent a lot of their graduates down here to Lincoln for something or other, but. So I appreciate that. Now as far as...is there any percentage that goes to private schools or public colleges and universities, or is it just set by the need of the various students that apply? [LB334]

THOMAS O'NEILL: It would vary year to year based on the students who apply. Now again, the funding formula...the allocation formula to institutions is capped at the University of Nebraska-Lincoln's tuition mandatory fees. So the fact that tuition is higher at a Nebraska Wesleyan than it is at the University of Nebraska-Lincoln is not reflected in the allocation formula that we have in this program. [LB334]

SENATOR WIGHTMAN: If they're looking at need, does that get involved in need though, or not? [LB334]

THOMAS O'NEILL: No, it doesn't. [LB334]

SENATOR WIGHTMAN: It cannot, huh? [LB334]

THOMAS O'NEILL: It cannot. That is correct. [LB334]

SENATOR WIGHTMAN: Okay. That's my only question. [LB334]

SENATOR MELLO: Thank you, Senator Wightman. Are there any further questions from the committee? Seeing none, thank you, Mr. O'Neill. [LB334]

THOMAS O'NEILL: Thank you, Senator. [LB334]

SENATOR MELLO: Next proponent. [LB334]

JAMES CAVANAUGH: Senator Mello, members of the Appropriations Committee, my name is James Cavanaugh, J-a-m-e-s C-a-v-a-n-a-u-g-h. I'm an attorney and registered lobbyist for Creighton University. I appear today on behalf of Creighton in support of LB334. There was a great old judge who taught me trial practice at Creighton, and his mantra was, "Few souls are saved after the first five minutes." And I never found an exception to that when I was practicing law and I haven't found any exceptions to it here in the Legislature. So you've heard well over five minutes of some good public policy reasons about why this bill is needed. And you know, I would just point out to you that

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

Appropriations Committee
March 18, 2013

Creighton, among the independent colleges and universities, is somewhat unique in Nebraska in that we produce half of the doctors graduated in Nebraska and half of the lawyers graduated in Nebraska, half of the dentists, and I could go on and on and on, with relatively minor contributions from the state of Nebraska to our needy students. This bill I think is like the tide that raises all boats. Public or private, you know, regardless of where you go to school, if you meet the need criteria, you will benefit by this enactment. And in light of the fact that we currently rank 40th in state aid to students attending private colleges and universities in Nebraska, I would submit that perhaps we could do a little better. I don't think that too many of us would be happy if our football team at the state of Nebraska consistently ranked 40th in the nation, and we shouldn't be any happier that this level of support for students, that hopefully will grow up and stay in Nebraska and pay taxes in Nebraska and build lives in Nebraska, ranks 40th either. I'd be happy to answer any questions you might have. [LB334]

SENATOR MELLO: Thank you, Jim. Are there any questions from the committee?
Senator Wightman. [LB334]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you for being here. [LB334]

JAMES CAVANAUGH: Thank you, Senator. [LB334]

SENATOR WIGHTMAN: Now you say we rank 40th. I think we rank 38th in population, don't we, so we're not quite as far off as that would make it. Maybe we're 37th. [LB334]

JAMES CAVANAUGH: Well, that's true. We rank 38th in population but I think last season we ranked considerably higher in football, didn't we? And I can't remember the last time we ranked 38th. [LB334]

SENATOR WIGHTMAN: Okay. I'll appreciate that. [LB334]

JAMES CAVANAUGH: Creighton, incidentally, is ranked 22nd in basketball, so. (Laugh)
[LB334]

SENATOR WIGHTMAN: And without aid, I might say. (Laughter) Thank you. I'd ask for and I think probably you'll say the same thing, that you really can't tell us what percentage go to private and what percentage go to public universities and colleges, and it probably changes from year to year. Is that a correct statement, or...? [LB334]

JAMES CAVANAUGH: Who would be eligible for aid, Senator? [LB334]

SENATOR WIGHTMAN: Well, not for...but how much of it has been paid out in aid to private and public. [LB334]

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

Appropriations Committee
March 18, 2013

JAMES CAVANAUGH: I think...and you have some very good information along those lines in the packet that Mr. O'Neill provided you with. And it will give you, I believe, right down to a school-by-school breakout in both the publics and private sectors relative to, you know, where the dollars actually go. I can tell you from Creighton's point of view, and we're one of the larger private institutions in Nebraska, that it's miniscule. I mean, I think we're talking maybe hundreds of thousands of dollars per year--low hundreds--for this type of aid going to students. And as Mr. O'Neill indicated, I mean, we're competitive when it comes to needy students, Pell Grant-eligible students. We'd be in the ballpark with the public sector. It's not really a zero-sum game, though. I mean, we have more resources in this great state available, or should be available, to this sector. I mean, we spend a lot of time talking about brain gain and bringing Nebraska kids back to Nebraska or keeping them in Nebraska after they receive their education. And it occurred to me while I was listening to Tip's remarks, that I started counting up the kids just in our family, my siblings and I, our children who are, you know, college age or out by now, and how many of them--and there's a lot of them--are still in Nebraska or have come back to Nebraska after receiving education elsewhere. Even in my family, and we're, you know, fifth-generation Nebraskans, it's less than half--less than half. And you know, if we can do something to make staying in Nebraska for your postsecondary education more appealing or affordable to more of our young people, we'll keep more than half. Because the sad fact is, our biggest export isn't corn or cattle or grain or anything; it's highly educated young people. And I don't think we can afford to indefinitely export the best and the brightest from this state. This would help stem that flow. And you know, why wouldn't we do that? [LB334]

SENATOR WIGHTMAN: Thank you. [LB334]

SENATOR MELLO: Are there any further questions from the committee? Senator Bolz. [LB334]

SENATOR BOLZ: Thanks for coming, Mr. Cavanaugh. I've heard some conversation in this committee, and I think it's appropriate as stewards of Nebraska's state tax dollars, about scrutinizing our investments in postsecondary education. And I was just curious if you had any comments about the value of the Nebraska Opportunity Grant Program in terms of degrees awarded and retention rates and that sort of thing. Can you comment on that? [LB334]

JAMES CAVANAUGH: Specific to Creighton, I don't have those numbers but I will get them for you. I'll be happy to supply those to you. I think that when you're dealing with the entire question of what it costs a young person to go to school in Nebraska, you should also look at the other side of what does it cost our postsecondary education institutions, public and private, to provide that education? Because, you know, unlike the public sector, in the private sector, you know, you're pretty much tuition-driven 100 percent. I mean, you get some dollars here from the state and other areas, but in the

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

Appropriations Committee
March 18, 2013

public sector I don't know that you always get a clear picture unless you factor in, okay, we've got the tuition at, say, UNL or UNO; how much of what UNL or UNO is providing that student does that cover? Because the rest of that equation, you know, is coming from our resources as well. So give yourself a real cost, I don't think it costs a lot more or a lot less for Creighton to give you a bachelor's degree education than it costs to get one provided at UNL. I think the costs of education, you know, professors, classrooms, all that infrastructure, are in the ballpark. It's just that when we're dealing with these questions, you know, pretty much all of it's coming from our student-based tuition. And in the public sector, you know, a significant portion of that is subsidized elsewhere in the state budget. So when you're talking about these things, like the question of should we have the cap be tied to UNL tuition, which is subsidized and therefore significantly lower than any private-sector tuition could afford, I mean, if we charged UNL tuitions at Creighton or Wesleyan or anyplace else, it wouldn't work, because there is no other subsidy coming in. But I will definitely get you the answer to those two questions. [LB334]

SENATOR BOLZ: Well, as a Nebraska Wesleyan grad, I'd be curious to see how our graduation and retention rates stack up. I have heard very good things about that, and I think that this kind of program is well spent in places like Nebraska Wesleyan. But I'm clearly biased. [LB334]

JAMES CAVANAUGH: I couldn't agree more. I currently have two nieces at Nebraska Wesleyan. It's an excellent, excellent university. [LB334]

SENATOR BOLZ: Very good. [LB334]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Jim. [LB334]

JAMES CAVANAUGH: Thank you, Senator. [LB334]

SENATOR MELLO: Are there any other proponents for LB334? [LB334]

CRAIG MUNIER: (Exhibit 2) Good afternoon, Senator Mello and the Appropriations Committee. And my name is Craig Munier, M-u-n-i-e-r. I am the director of the Office of Scholarships and Financial Aid at the University of Nebraska-Lincoln. Thank you for the opportunity today to speak in support of LB334 that would provide much-needed student grant assistance to Nebraska students from low-income and working poor Nebraska families to attend college in Nebraska. The figures I had were that Nebraska ranks 37th among states in need-based grants awarded in 2010-11; so I don't know if we've lost ground. I've heard 40th, I've heard 38th, so I'm not sure, but roughly 37th to 40th. In 2012-13, the University of Nebraska-Lincoln had approximately 4,190 Nebraska undergraduates who qualified for the federal Pell Grant program. We were able to

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

Appropriations Committee
March 18, 2013

award Nebraska Opportunity Grant funds to 1,455 of those students, or about 35 percent of those who would qualify for assistance under this program. And you see the figures in front of you. The maximum Pell Grant for next year, which is intact and not subject to sequestration at the federal level, is expected to increase by just \$95. We estimate that the total cost of attending the University of Nebraska-Lincoln for a Nebraska resident undergraduate will increase approximately \$546 for the academic year excluding any yet to be determined increase in tuition. When we increase state and federal grant funds for those students from Nebraska's neediest families, the university is able to award more institutional grant funds to those students who narrowly missed qualifying for the federal Pell Grant and the Nebraska Opportunity Grant Program as well. This makes an investment in a college education more affordable for students from middle-income Nebraska families. Financial aid administrators in colleges and universities across the state are hearing from an increasing number of Nebraska families concerned about how to pay for their children's college education. Most report that these same students are borrowing the maximum amount of federal student loans, working longer hours to the detriment of being fully engaged students, and resorting to coping mechanisms that we know lead to lower retention and graduation rates, including attending part-time, working to excess, and choosing to live off campus. LB334 would be a welcomed state response to these Nebraska families struggling to keep their students in school. Again I thank you for the opportunity to share my perspective and entertain any questions you may have. [LB334]

SENATOR MELLO: Thank you for your testimony, Craig. Are there any questions from the committee? Seeing none, thank you. [LB334]

CRAIG MUNIER: Thank you. [LB334]

SENATOR MELLO: Are there any further proponents to LB334? [LB334]

DENNIS BAACK: Good afternoon, Senator Mello 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, the executive director of the Community College Association here to testify in support of LB334. Any time we can start adding aid for the most needy students and stuff in this state, I think it's really important to do. We have an awful lot of those Pell Grant-eligible students that go to community colleges, and the community colleges of Nebraska are very much in support of adding dollars to that aid formula; but it has not had any money added to it for a number of years. And I think it's really important for us as we look at what's going on in Washington and stuff; we don't know how Pell Grants or what other of these things might ultimately be affected. So this money could even be more important if they start doing some things on the federal level to start cutting back on Pell Grants. We hope that doesn't happen but we don't know for sure. With that, I'd be happy to answer questions. [LB334]

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

Appropriations Committee
March 18, 2013

SENATOR MELLO: Thank you for your testimony, Mr. Baack. Are there any questions from the committee? Seeing none, thank you, Dennis. [LB334]

DENNIS BAACK: Thanks. [LB334]

MARSHALL HILL: (Exhibit 3) Good afternoon, Chairman Mello and members of the committee. My name is Marshall Hill, M-a-r-s-h-a-l-l H-i-l-l. I'm executive director of the Nebraska Coordinating Commission for Postsecondary Education. You should have some material packets going around to you. I want to reemphasize a few fundamental points about the Nebraska Opportunity Grant. It is administered by the Coordinating Commission. It is available to Nebraska resident students who are our most needy students. This past year, or in 2011-12, we awarded about \$14.7 million to just over 14,000 students, making the average grant just a little bit over \$1,000. It's funded through a combination of lottery funds and general revenue. For last year, the lottery funds were \$8.3 million and state appropriations are \$6.4 million. The state appropriations have not increased since 2007. The actual total dollar amount available in the Nebraska Opportunity Grant has increased, but the only increases have come through increased lottery funding. If the lottery goes up, we get more money; if the lottery doesn't, we don't. You've heard a lot of numbers today about where Nebraska's ranking is in terms of other states, in terms of how much money we provide. I think the number that we like to focus in on is how much financial aid we provide per needy FTE student, per needy undergraduate student. So that takes out all questions about California being bigger and Alaska being smaller and so forth. We rank 33rd in that regard. I've been in Nebraska eight years. In those eight years, we've moved 33rd to 35th, right around in there all the time. We haven't made much progress on that. So an increase in the state appropriations for this would be quite welcome. We've handed you a copy of some presentation slides that was a presentation made to our commissioners last Thursday, and they actually respond to a number of questions you've asked here this afternoon. If you could turn into those, to the first pie chart that you'll see, that tells you where Nebraska's Pell-eligible students are. The federal Pell Grant, named after Claiborne Pell, is the largest financial aid program run by the U.S. Department of Ed. It's sort of the defining program for identifying the most needy students. And you'll see that about half of Nebraska's Pell-eligible students--I'm looking at this chart with this pie--about half of Nebraska's Pell-eligible students are in our community colleges; and then the next largest group of them go to the University of Nebraska institutions; and then the independent colleges, the for-profit schools, and the state colleges. And you'll see on the next page that we've had over the past several years a significant increase in the number of eligible students, and they have spread out among all sectors; but again, especially in the community college sector. And if you would advance on to slides number 10 and 11, those respond to the other questions you've asked here this afternoon. It is, where does the money go? And the money doesn't go to institutions; the money goes to students who attend institutions. And on slide 10 here, you can see that about one-third of the students that receive the Nebraska Opportunity Grant are at the

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

Appropriations Committee
March 18, 2013

community colleges; the next largest group attend the University of Nebraska, 25 percent; so forth and so on. And then the next page is the last one I'll call to your attention. You'll see that these students that receive these funds are low-income by definition. The vast majority of them have family incomes below \$40,000. The rest of this is some additional information if you wish it. Right now, we are able to serve only 25 percent of the students who are eligible for this funding. A bit of that is because we have allowed our eligibility criterion to rise more than it should have. Senator Harms is carrying a bill which would fix that. LB331? [LB334]

SENATOR HARMS: LB331. [LB334]

MARSHALL HILL: LB331. But the major problem is, frankly, we have a lot of students who need help. I'd be pleased to respond to any questions that you might have. [LB334]

SENATOR MELLO: Thank you, Dr. Hill. Are there any questions from the committee? Senator Conrad. [LB334]

SENATOR CONRAD: Director Hill, just to be clear, the gist of your testimony in support of this legislation is that we should increase funding based upon enrollment as the sole basis rather than any sort of performance characteristic? [LB334]

MARSHALL HILL: I don't think this is the place to put performance characteristics. This, as Mr. Cavanaugh I believe mentioned, is the tide that would raise all the boats. This identifies our most needy students, provides them the opportunity to start in college, and move through. It's spread across all institutions. There was a question earlier--I believe you asked it--as to how well these students do. We don't have information...we don't have a data system in Nebraska which lets us track students in that regard. [LB334]

SENATOR CONRAD: So this would be the exception rather than the rule to your general philosophy that we as legislators should make funding decisions based on performance standards rather than enrollment? [LB334]

MARSHALL HILL: Perhaps yes. Yeah. And there hasn't been a general revenue increase to this program for quite some time even though we have more and more students that we need to serve. [LB334]

SENATOR MELLO: Senator Harms. [LB334]

SENATOR HARMS: Thank you, Senator Mello. Dr. Hill, thank you very much for coming. When you look at the ACE program and the success they've had there with their grades, I'm guessing that a majority of these kids, students who have gotten started there, are probably in this grant program. I'm assuming that there's going to be a correlation when you actually look at that, how well they actually do. And they do pretty

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

Appropriations Committee
March 18, 2013

well. [LB334]

MARSHALL HILL: Senator, we will...we are able to track the students who participate in the Access College Early Scholarship Program, and those are students who by definition would be eligible for the Nebraska Opportunity Grant when they become college students and not high school students. [LB334]

SENATOR HARMS: And you have tracked them when they're in their first year, haven't you? [LB334]

MARSHALL HILL: Yes, sir. [LB334]

SENATOR HARMS: And they do pretty well. [LB334]

MARSHALL HILL: They are doing very well. They have I think an overall GPA above 3.0. And these, remember, are students that by definition are low-income students. [LB334]

SENATOR HARMS: Okay. Thank you. [LB334]

MARSHALL HILL: Um-hum. [LB334]

SENATOR MELLO: Senator Nelson. [LB334]

SENATOR NELSON: Thank you, Senator Mello, and thank you, Dr. Hill. I just want to be sure I'm clear on your statement that eligibility requirements have gone up, and so that makes a difference here. And Senator Harms clearly has a bill that's going to fix that. Could you just elaborate? [LB334]

MARSHALL HILL: I can. [LB334]

SENATOR NELSON: Okay. [LB334]

MARSHALL HILL: I can. For many years, the eligibility cutoff point for a student to be eligible for the Nebraska Opportunity Grant was set at the same eligibility cutoff point for the federal Pell Grant. And so if a student qualified for the Pell, they qualified for the Nebraska Opportunity Grant. Then a number of years ago financial aid directors in colleges and universities came to us and they said, we have some students who are not quite eligible for the federal Pell Grant and that means they're not eligible for the Nebraska Opportunity Grant either. And that means that even though they need help, we have hardly any way to help them. And so they made a strong case that we signed on to, to have established a little level above federal Pell eligibility so that if a student fell in this little band above the Pell Grant, while they would not be eligible for federal funds

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

Appropriations Committee
March 18, 2013

they could be eligible for the Nebraska Opportunity Grant. And when the Legislature made that provision, you put in an escalating clause that raised this 2.5 percent each year, under the presumption that Pell was going to keep rising and you would have this little wiggle room here going on into the future. What's happened is over the past three years this number has gone up but the Pell number has gone down, so now instead of being able to serve roughly 40-50 percent of the students who are eligible, we are only serving about 25 percent. We think the way to get that back into focusing on our most needy students is to tie this number to this one so that as the federal Pell number moves up and down, we are being matched along with it. [LB334]

SENATOR NELSON: Thank you very much. [LB334]

MARSHALL HILL: The consequences of this rising means that students whose resources reach into the middle class are eligible for the program; and our commission firmly believes that given the limited number of dollars that we have, we need to keep it focused on the students who are most needy. [LB334]

SENATOR NELSON: Thank you. [LB334]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Director Hill. [LB334]

MARSHALL HILL: Thank you, Senator. [LB334]

SENATOR MELLO: Are there any further proponents for LB334? [LB334]

LAZARO SPINDOLA: (Exhibit 4) Good afternoon, Chairman Mello and other members of the committee. Thank you for receiving me this afternoon. For the record, my name is Lazaro Spindola, L-a-z-a-r-o S-p-i-n-d-o-l-a, and I am the executive director of the Latino-American Commission. I am here today in support of LB334. LB334 would appropriate additional funding to the Nebraska Opportunity Grant Program in the fiscal years from 2013 to 2015. State-supported, need-based financial aid to college students has not increased in Nebraska since 2008. But I guess you all know that, right? According to the Census Bureau, the Nebraska college-age population, 18-24 years of age, of Latino children has increased by 86 percent. They constitute the fastest and largest growing ethnic group in the state of Nebraska. As of 2011, there were 20,117 college-age Latino children in Nebraska; 6,316, or 31 percent, came from households whose income was below the federal poverty level. In addition, 13,801--that's 69 percent--came from households whose income was at the federal poverty level or above. Probably most of them were at the federal poverty level. I obviously support any effort aimed at increasing the Nebraska Opportunity Grant Program. Having said this, I encourage the committee to support LB334 and thus provide more educational opportunities for Nebraska's disadvantaged children. And I will gladly answer any

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

Appropriations Committee
March 18, 2013

questions that you might have. [LB334]

SENATOR MELLO: Thank you, Director Spindola. Are there any questions from the committee? Seeing none, thank you. Are there any further proponents? [LB334]

JAY SEARS: (Exhibit 5) Good afternoon, Chairman Mello and members of the committee. For the record, I'm Jay Sears, J-a-y S-e-a-r-s, and I'm here today representing the 28,000 members of the Nebraska State Education Association and we're here in support of LB334. I'll just make two points because you've heard all the data and you've got all the books and whatever. The reason we're supporting it for two main reasons: one, the state appropriation hasn't increased for a number of years and that's causing a number of our students who are needy not to be able to get state aid to go to the schools here in the state of Nebraska. A couple weeks ago we had a bill in the Education Committee that dealt with the Nebraska Opportunity Grants also, and in that testimony we heard that many of our students are finding better financial aid going across the river or across the border. And you know what happens when people go across the borders. They tend not to come back. I can speak from experience, having daughters who have gone to out-of-state colleges because of the financial aid that they were able to receive, and they haven't come back. That bothers me. And so NSEA is in support of the state appropriation. It'll be able to provide more opportunity for more of our needy students. So thank you and that will end my testimony. [LB334]

SENATOR MELLO: Thank you for your testimony, Jay. Are there any questions from the committee? Seeing none, thank you. Are there any further proponents for LB334? Seeing none, are there any opponents to LB334? Seeing none, is there anyone here wishing to testify in the neutral capacity? Seeing none, Senator Nordquist. Okay, Senator Nordquist waives closing and that will end today's hearing on LB334, and take us to our next hearing on LB400. Senator Scott Lautenbaugh. [LB334]

BRENT SMOYER: Good afternoon, Mr. Chairman, members of the committee. As you can see, I am not Scott Lautenbaugh. Unfortunately, he had a field trip today with the General Affairs Committee. And as we all know from elementary school, nobody ever wants to miss a field trip. So I am here in his place. My name is Brent Smoyer, B-r-e-n-t S-m-o-y-e-r, here to introduce LB400. I was going to do a grandiose speech, maybe throw in some Shakespeare and make a plea for the community colleges that this bill will affect, but instead I will keep it short and sweet which is to say that this bill is to open up a conversation on what should or should not be the proper amount of funding for our community college system here in Nebraska. Following me will be testifiers who are experts in such matters and can give you the real breakdown of where the figures came from in the bill; but that is the long and the short of it. [LB400]

SENATOR MELLO: Thank you, Mr. Smoyer. Are there any questions from the committee? Seeing none, thank you. [LB400]

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

Appropriations Committee
March 18, 2013

BRENT SMOYER: Thank you very much. [LB400]

SENATOR MELLO: We will first take proponents for LB400. [LB400]

RANDY SCHMAILZL: (Exhibit 6) Good afternoon, committee. Randy Schmailzl, R-a-n-d-y S-c-h-m-a-i-l-z-l. I'm president of Metropolitan Community College, and the handout that you're receiving is the detail on how the \$13.5 million request came about. In 2008, community colleges received \$84 million approximately, and we had 29,000 FTE. Now an FTE is our mathematical way to calculate apples versus apples. For every 30 semester hours, that equals one student. So if you divide 30 into our total credit hours in the state of Nebraska in community colleges, you'll come up with 29,010 individuals. For our quarter-hour system it's 45 quarter hours. With that said, back in 2008 we received \$2,898 per FTE. From that point forward we take you to 2012. Our state aid allocation was \$86,700,000 approximately; and we grew to 36,288 FTEs, and our FTE aid per student went down to \$2,391. So when you take the difference between what we're projecting in 2013, which is \$2,500 per student, and we end up with a difference of \$387 per FTE. And when you multiply that by our 35,000 FTEs, you come up with \$13.5 million, which is the number that we ask in increased state aid. Over the course of those years, the community colleges' enrollment from 2008 till now grew and continued to grow each year. We're expecting in 2012, that 36,000 number is going to level off. And, in fact, our estimate is that community colleges will have an FTE of about 35,000 students. With that said, we just want to get back to the FTE number that we had back in 2008, and this is all based on enrollment numbers. It's not based on performance. It's not based on efficiency. It's not based on anything else except enrollment numbers. And when you look at the community colleges' budget, numbers actually make the difference for us. And it's enrollment tuitionwise, enrollment state aidwise in our formula, and then our property tax. So I'll stop right there, Senator Mello, and that's my presentation. [LB400]

SENATOR MELLO: Thank you for your testimony, Randy. Are there any questions from the committee? Senator Harms. [LB400]

SENATOR HARMS: Thank you very much for coming. Randy, are you representing just Metro on this, or are you representing the community college system or are you independent on this request? I mean, how does that fit into the whole structure? I guess I don't understand. [LB400]

RANDY SCHMAILZL: After I'm done today and the agency requests comes forward, the other community colleges will come up and testify in support of the \$13.5 million. We talked as a group and the Metro board brought this forward with consensus among the other colleges. So yes, all six colleges are behind the \$13.5 million request. I am here today representing Metro Community College. When we pulled together LB400, we

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

Appropriations Committee
March 18, 2013

weren't sure on what type of reception or where we were going to go with the bill, so we wanted to at least get a hearing on the bill to discuss this, and that's why I'm here on LB400. [LB400]

SENATOR HARMS: So are you then wanting to be independent or are you just...I'm struggling a little bit with what's happening in the community college structure and the system and Metro and the rest of, you know, the community colleges. [LB400]

RANDY SCHMAILZL: Let's talk about the word "independent," because we're not independent. We're equal to all six...all six community colleges are equal in that they're a political subdivision. They stand on their own and we're not a member of the Nebraska Community College Association but we're not required to be. So we're here today representing the request for all the community colleges in this state. This is not a request just for Metro. When we formulated this, our board and the administration of the college knew at that point forward it would be for the whole state and that's what I'm here to ask for. [LB400]

SENATOR HARMS: But yet the community colleges are going to come back in as a system on Agency 83 and ask for funding. Is that correct? [LB400]

RANDY SCHMAILZL: They're going to ask...that's the normal approach that's been used, you know, under the Agency; so yes. [LB400]

SENATOR HARMS: So you don't want to follow the normal process; you just want to do your own thing? [LB400]

RANDY SCHMAILZL: No. We're not here to do our own thing. The normal process is the process. LB400 was our attempt to come forward. It's been unusual for Metro in the past to articulate an interest in additional money, and we wanted to get our time before the committee to let everyone know that our board supported the additional money to this formula. [LB400]

SENATOR HARMS: Well, let's talk a little bit about that if we can. Where is your tax levy, property tax levy? [LB400]

RANDY SCHMAILZL: 8.5 cents. [LB400]

SENATOR HARMS: And what's your lid? What's the max you can levy? [LB400]

RANDY SCHMAILZL: Twelve cents--11.5 cents. [LB400]

SENATOR HARMS: So you have a lot of room in there of actually taking on an issue to...if the funding formula, like most of the community colleges that I know, at least

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

Appropriations Committee
March 18, 2013

where I lived, you'd have to get in on the state aid, you'd have to go to the property tax side or you raise your tuition. So are you giving any thought then to raising your property tax levy to gain these dollars that you need with your growth? Because, quite frankly, it's what a local community college is all about. It's locally operated, locally funded basically with whatever state aid we give you. [LB400]

RANDY SCHMAILZL: Yes, we've discussed our property tax level, and especially since Metro is the only community college in the state that hasn't had increased in assessed values. When you look across the state, there's a great increase in assessed values in these other community college areas, and Metro's is very, very low; in fact, none. So Metro would be the one that has to consider increases versus everyone else because our property tax levy is all we have--that and tuition. [LB400]

SENATOR HARMS: And you have to be a little careful of that because we know that this goes in a cycle. We know agriculture is doing really well. But you take on this drought and that may not be true in about another two years when you come in here. It may not be there. Where do you rank in your tuition? Are you quarter or semester? I can never keep that... [LB400]

RANDY SCHMAILZL: We're a quarter hour. [LB400]

SENATOR HARMS: You're a quarter hour. Okay. How does that...how do you equal...how do you compare out on your tuition increases? What kind of increases have you given to counter this issue that you have with your growth? [LB400]

RANDY SCHMAILZL: Last year we had a \$2 increase per quarter hour; the year before that zero, and the year before that \$4 a credit hour increase. [LB400]

SENATOR HARMS: How does that equalize out to a semester, so I have a better understanding. I'm not very smart. So how does that come out as a semester? [LB400]

RANDY SCHMAILZL: We're at \$52. So you add \$25 on to that; it would be about \$77 a semester hour. I'm not sure whether we're the second lowest or the third lowest or right in the middle there. There's only six of us, so maybe, you know, third or fourth in terms of tuition. [LB400]

SENATOR HARMS: Lowest. [LB400]

RANDY SCHMAILZL: Yeah. [LB400]

SENATOR HARMS: So you actually have room if you really had to. If things get worse, you know, in the future, you have the tuition side, which none of us get very excited about because the community colleges, you know, accept and pursue and give a lot of

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

Appropriations Committee
March 18, 2013

people who struggle financially the opportunity to come. But they also get a lot of financial aid if they want to pursue that, that aspect of it. So you have room on the tuition side and you have room on the tax side. Are you giving any thoughts to, as you look into the future and your long-range planning, whether you're going to have to really go against that? Because if you have the growth and we get limits on the state aid side of it, you'll have a collision course. And so how are you going to make that up then? [LB400]

RANDY SCHMAILZL: Well, this last year we only increased our budget by 1 percent, and so the way you balance out our revenue versus expenses is you start to cut back on the services and you start to pick and choose what services you can offer for your district and what services you can't. Part of our problem is the number of services that we have to offer for the GED, the developmental education, and just the sheer numbers we have in our district. [LB400]

SENATOR HARMS: Yeah, I know. [LB400]

RANDY SCHMAILZL: So in terms of strategizing on the unknown, I'm not sure we strategize for the future on our unknown yet. We do know that there's a collision course in terms of revenue, property tax, and what we have to do to hold our budget down. [LB400]

SENATOR HARMS: Well, hey, thank you very much for just answering my questions. I just was curious about that. I struggle a little bit with that structure today. But, you know, I'm just an old man trying to figure it out. So thank you very much. [LB400]

SENATOR MELLO: Are there any further questions from the committee? Senator Larson. [LB400]

SENATOR LARSON: Thank you. And Senator Harms's question has raised some excellent points, and I was looking at this and I see you list 2008. I'm guessing that was probably your high year for aid per FTE, the highest year you've been, since that's the year you're using as your basis? [LB400]

RANDY SCHMAILZL: Yes. [LB400]

SENATOR LARSON: What were you...and I don't know if you didn't...if you forgot or conveniently left off. What did you receive in 2009, 2010, 2011? Because it jumps from 2008 clear to 2012. [LB400]

RANDY SCHMAILZL: I'd have to research that and get back to you on that, because we left those off undoubtedly because it wasn't that much of a difference. [LB400]

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

Appropriations Committee
March 18, 2013

SENATOR LARSON: From...difference from what? [LB400]

RANDY SCHMAILZL: From 2008 to 2009. [LB400]

SENATOR LARSON: So you were probably... [LB400]

RANDY SCHMAILZL: I mean, it gradually kept going down, down, down. It keeps going down. [LB400]

SENATOR LARSON: Okay. So it was going down. Not...not that (inaudible), not much of a difference going up, you're saying. [LB400]

RANDY SCHMAILZL: That's right. [LB400]

SENATOR LARSON: Because...and when I look at it, I see \$2,500, and is obviously what is projected and whatnot. All right. And on the aid per student, where does your tuition compare to other community colleges? I know Senator Harms was talking about it. Where does... [LB400]

RANDY SCHMAILZL: We're either fourth or fifth in terms of... [LB400]

SENATOR LARSON: Highest or lowest? [LB400]

RANDY SCHMAILZL: The lowest. The lowest. But the range is so compact. I mean, you're not talking about a range of hundreds or...you're talking about a range of dollars or tens. So I think it would be best to give the committee full disclosure as to what all the community colleges are now versus what they project to be in the next year. [LB400]

SENATOR LARSON: So you are one of the lowest in terms of tuition, I guess is what you're saying. How many community colleges? Six? Is that how many community colleges are in this state? [LB400]

RANDY SCHMAILZL: I would say we're not the lowest but we're close to the lowest. [LB400]

SENATOR LARSON: Close. And where...and Senator Harms brought up your levy. Do you know where your levy compares to the other six colleges? You're 8.5 cents and you can go up to 12; where is that levy compared to the other ones? [LB400]

RANDY SCHMAILZL: We're probably third or fourth. [LB400]

SENATOR LARSON: Lowest? [LB400]

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

Appropriations Committee
March 18, 2013

RANDY SCHMAILZL: Highest. [LB400]

SENATOR LARSON: Highest. So middle of the road. All right. What is tuition per credit hour? [LB400]

RANDY SCHMAILZL: Pardon? [LB400]

SENATOR LARSON: What is tuition per credit hour? [LB400]

RANDY SCHMAILZL: Fifty-two dollars per credit hour--per quarter hour. [LB400]

SENATOR LARSON: Per quarter hour. That's \$75...\$77 approximately on a semester-hour basis. All right. Thank you. [LB400]

SENATOR MELLO: Senator Wightman. [LB400]

SENATOR WIGHTMAN: Thank you, Senator Mello. Thank you for being here. And can you tell me how the state aid gets divided up among the six community colleges? Is it on a student basis or is it on a...it obviously isn't equal, I don't think. [LB400]

RANDY SCHMAILZL: It's on a combination of FTE, and then there's a reimbursable educational unit based on the type of classes that you teach, and there's also a level in there for all six of the community colleges receiving the same amount. Just up-front foundation aid, it's called. [LB400]

SENATOR WIGHTMAN: So is one of those a greater percentage than the other one? Is the number of FTEs, is that the biggest percentage? [LB400]

RANDY SCHMAILZL: Well, it's a combination of those. And the end result would be, you know, your aid number. So it's not...maybe 25-30 percent of the formula is on FTE; you know, 25 percent of the formula is on just all community colleges getting the same amount; and then 30 percent on REU, reimbursable educational unit. Which gives you, for English courses that don't take a lot of equipment, you're weighted at 1.0; for courses like computers that take a little equipment, 1.5; and then for welding, for construction, it's 2.0. So that number right there creates a reimbursable educational unit, which, you know, within our community college system we understand, you know, how that works. So I think, you know, in order for you to fully understand it, it would have to be laid out on paper and explained and very similar to the K-12 formula. [LB400]

SENATOR WIGHTMAN: Okay. Based upon what you've said, however, it would appear to me that you get the least per student of any of the six. [LB400]

RANDY SCHMAILZL: Yes. No, Central gets less than us I think. [LB400]

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

Appropriations Committee
March 18, 2013

SENATOR WIGHTMAN: Central gets less than you do. [LB400]

RANDY SCHMAILZL: Um-hum. Um-hum. [LB400]

SENATOR WIGHTMAN: Can you tell me how much you get per student as far as state aid? Maybe you've never... [LB400]

RANDY SCHMAILZL: We get around \$1,900. [LB400]

SENATOR WIGHTMAN: And the only one that would be higher than that would be Central... [LB400]

RANDY SCHMAILZL: Well, Central would be lower than us and everybody else would be higher. [LB400]

SENATOR WIGHTMAN: ...or lower. Okay. Okay, thank you. [LB400]

RANDY SCHMAILZL: Yep. [LB400]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Mr. Schmailzl. [LB400]

RANDY SCHMAILZL: Thank you. [LB400]

SENATOR MELLO: Are there any further proponents for LB400? [LB400]

JAY SEARS: (Exhibit 7) Good afternoon, Chairman Mello and members of the committee. For the record, I'm Jay Sears, J-a-y S-e-a-r-s, and I'm here today representing the 28,000 members of the Nebraska State Education Association, which a large portion of those are community college faculty, professional staff, and faculty staff. And we're here in support of LB400. But I just wanted to share with you, this is my first time today in front of the Appropriations Committee. I usually spend most of my time across the hall, and I thank you for having the hearing today so I could be here instead of there. And the other piece is, being as this is one of my first testifying in front of the Appropriations Committee, I understand that LB400 might be a little bit different than what you usually do in the process; and you already have an agency budget which NSEA would support the \$13.5 million increase in that budget. And I would stay and testify but I do need to go across the hall and do that. And the other reason, and a first for me and probably for NSEA, is we wanted to make sure that we testified in support of Senator Lautenbaugh's bill. So you have my written testimony, my first supporting Senator Lautenbaugh and a bill that he's introduced, and supporting the community college budget as you get to that this afternoon. So with that, I would conclude my

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

Appropriations Committee
March 18, 2013

testimony and thank you for your time. [LB400]

SENATOR MELLO: Thank you, Mr. Sears. Are there any questions from the committee? Seeing none, thank you. [LB400]

JAY SEARS: Thank you. [LB400]

SENATOR MELLO: Are there further proponents to LB400? Seeing none, are there any opponents to LB400? Seeing none, is there anyone here to testify in the neutral capacity? [LB400]

MARSHALL HILL: (Exhibit 8) Good afternoon again, Senator Mello. Marshall Hill, M-a-r-s-h-a-l-l H-i-l-l, executive director of the Coordinating Commission. Yes, this is a somewhat unusual approach to the community college funding, and I'd say we prefer the normal approach, as you probably do as well. I'm here testifying in a neutral capacity. I would not be doing so if you had not already, in your preliminary budget, indicated a \$7 million increase for the community colleges. We are supportive of additional funding for the community colleges. They're extraordinarily important to the future well-being of the state. We need more college graduates, and I'm not talking just four-year college graduates; I'm talking about students with certificates and associate's degrees as well. They are important to us. Our community colleges are important to us. We have been saying at the Coordinating Commission for several years now that we need a far better system to allocate the state funding to the community colleges. They are important. But we, right now, in my view at least, have somewhat of a nonsystem. You're allocating the vast majority of your funds on the basis of a formula that nobody liked and that was getting further and further removed from actual reality on the campuses. We think it's important for you to adequately fund the community colleges. And the exact balance between tuition, state appropriation, and local property tax, everybody has an opinion upon what that is. We do encourage you to provide enough funding and for the community colleges to tax their local residents enough to keep community college tuition low. The community colleges are where our most needy students go and we need to keep that opportunity open to them. I hope that at some point Nebraska takes a fresh look at how you allocate funding to community colleges and that you do so on the basis of what they need in order to serve their areas and how well they do it. So I'll stop at that point and respond to any questions you might have. [LB400]

SENATOR MELLO: Thank you, Director Hill. Are there any questions from the committee? Senator Harms. [LB400]

SENATOR HARMS: Thank you, Senator Mello. Dr. Hill, if you had developed the authority to do this, how would you develop that community college formula? I mean, when I look at this, I can see where the problems come for Randy and because of the

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

Appropriations Committee
March 18, 2013

growth, and probably the same thing for Southeast, and I understand all of that. But then I also look at rural Nebraska. There's such a phenomenal difference there in them trying to fund and provide access to that kind of education and the training that's needed in rural Nebraska. It's always been a battle; and unless we can find a better solution or more money, it's going to continue to be a battle. And how would you put this thing together, I mean? [LB400]

MARSHALL HILL: My guess is it would continue to be a battle no matter how much money you have. That's just sort of the nature of humanity. I believe and our commissioners believe that it's important that community college services be available across the state. We know that reality intrudes upon that, and the further one is away from a community college campus, the harder it is to make that happen. But it's easier now than it used to be. Our commissioners strongly support the idea that equalization must have some element in here, and then this process of providing community colleges the funding they need to deliver the variety of courses. Dr. Schmailzl mentioned the reimbursable educational units. It's complex but it basically tries to fund to the community colleges on the basis of how much it costs them to do what they do, recognizing that they all do a different mix of different types of courses. We provided a comprehensive answer to your question in response to LB340, two years ago. I reread that report a couple of weeks ago and I wouldn't change a thing. There needs to be a comprehensive policy-based, goal-oriented funding mechanism for the community colleges rather than just an allocation model. The last thing I'd mention on that is last week the Platte Institute released a new report that they had commissioned on Nebraska and higher education and our future. I'd commend that to your reading. The principal author is Dennis Jones, president of the National Center for Higher Education Management Systems. Dennis is a native Nebraskan and he also is probably the country's best expert in state-level systems of higher ed. He calls for a pay-per-services model so that the state would determine what we need from our community colleges and reward the institutions as they met those needs. Now, obviously, institutions need to know how much they can count on from year to year, so a performance model should encompass some initially small portion of their funding. But that's the approach that I, frankly, would favor, and that's what's happening in many, many states across the country. [LB400]

SENATOR HARMS: Well, Dennis Jones is an outstanding individual. I know him very well, and not only is he good in higher education but he's good with troubled governments. He goes in and helps, you know, state governments that are struggling and planning and all those sorts of things. He's a great resource and he is from Hastings, Nebraska, and still has, I think, a farm there. [LB400]

MARSHALL HILL: He does. [LB400]

SENATOR HARMS: But he's a great resource for people to use and to look at because

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

Appropriations Committee
March 18, 2013

he has a phenomenal amount of experience in all phases of higher education, not just the community colleges. But I really... [LB400]

MARSHALL HILL: I believe they have distributed the report to each senator. And let me offer, if any of you have any questions about that report, we'd be pleased to talk with you about it. [LB400]

SENATOR HARMS: I really think that long-term we're going to have to find a system that works for the community colleges better than what it's working now. I'm not being critical of what they've got, but it just doesn't seem to be right to me. [LB400]

MARSHALL HILL: Well, Senator, from my perspective we have very good community colleges... [LB400]

SENATOR HARMS: We do. [LB400]

MARSHALL HILL: ...but they have been spending entirely too much of their time focused on arguing through this issue rather than being able to focus their attention on serving the students that they want to support. And we need to get past that because we desperately, as a state, need what the community colleges provide for us. [LB400]

SENATOR HARMS: And my biggest fear for the community colleges is that, you know, if the resources eventually get better, if they're going to continue to walk the pathway they're walking, they might just as well take them over as a state entity and then you control the whole thing and can fix it. And I don't think that's good for the community colleges, to be honest with you; and I think rural Nebraska would struggle tremendously in a state setting, you know, environment. But somewhere along the line this is going to come to a head again and I think that...and I'm not talking for Western or anybody else. I just look at it as a big picture sort of thing, that it's going to be a problem. [LB400]

MARSHALL HILL: I personally do not favor, and testified last week in opposition to, the idea of removing local property tax support from the community colleges. I think the whole idea of community colleges is closely tied to that financial support. It's one of America's great postsecondary education inventions. It has a lot of strength about it. I don't think you need to lose that in order to do better than we're doing in terms of a means of allocating state funding. I don't see the disconnect there. [LB400]

SENATOR HARMS: And I agree with you 100 percent, you know, on that aspect. I think once you lose the property tax for a community college, you pretty much lose local...you lose your local control, your local input. And it should be designed specifically for the characteristics of your community, and you meet those. But somewhere along the line, as I keep watching what's happening here, we've got to find a better way to do this. [LB400]

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

Appropriations Committee
March 18, 2013

MARSHALL HILL: I couldn't agree more. [LB400]

SENATOR HARMS: So thank you very much, Dr. Hill. [LB400]

SENATOR MELLO: Senator Conrad. [LB400]

SENATOR CONRAD: Thank you, Director. I think that we can all agree that our citizenry is well served by a strong community college system in this state, and I think that was the gist of your testimony, that you believe there is a good community college system in our state. Is that right? [LB400]

MARSHALL HILL: I do. But I believe they could do better, as I believe every sector of Nebraska's higher education can do better. And I once again call your attention to some very interesting charts and graphs in Dennis Jones's report which demonstrate that. [LB400]

SENATOR CONRAD: Do you have anything further? [LB400]

MARSHALL HILL: No, except I do believe our community colleges do well in many areas by many metrics by which we can measure them. But they have some room for improvement in terms of retention and graduation rates, as do all sectors within Nebraska. [LB400]

SENATOR CONRAD: And you did note that your one criticism would be in regards to the amount of time and energy that's been expended in fighting over the infrastructure that governs the community colleges and the funding formula, which again I think there's more common ground than disagreement on. But how on earth then would performance measures that would be developed and potentially implemented and overseen by your organization fix that problem? [LB400]

MARSHALL HILL: I don't know that it would be overseen necessarily by my organization. I think the state needs to decide what it wants from the community colleges. The state needs to decide what it wants from the community colleges. And we really haven't had much of a discussion about that in quite a long time. The discussion about community colleges in most of the time that I have been here has been largely focused on how much do we give Metro and how much do we give Southeast and how much do we give so-and-so, not really talking about the fundamentals of what we expect them to do and how well do we think they're doing it. So that's the point. This is the place. This is the place, Senator, for performance metrics, in my opinion. [LB400]

SENATOR CONRAD: This is the Appropriations Committee. [LB400]

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

Appropriations Committee
March 18, 2013

MARSHALL HILL: Um-hum. [LB400]

SENATOR CONRAD: We don't generally govern the jurisdictional issues related to education at this committee. [LB400]

MARSHALL HILL: I'm not asking you to. But what I'm saying is that it's easier to determine some performance metrics for additional money than it is for existing money. And if additional money were to be provided at some point, then that's the place to sort of look at applying performance metrics. [LB400]

SENATOR MELLO: Any further questions from the committee? Seeing none, thank you, Director Hill. Is there any further neutral testimony? Seeing none, I believe the introducer waived closing, so that will end today's hearing on LB400. And that will take us to our first agency hearing of the day, Agency 48, the Nebraska Coordinating Commission for Postsecondary Education. [LB400]