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Appropriations Committee
February 05, 2018

[AGENCY 18 AGENCY 48 AGENCY 50 AGENCY 83]

The Committee on Appropriations met at 1:30 p.m. on Monday, February 5, 2018, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on agency budget requests and LB944, Section 71. Senators present: John Stinner, Chairperson; Kate Bolz, Vice Chairperson; Rob Clements; Robert Hilkemann; John Kuehn; Mike McDonnell; Tony Vargas; Dan Watermeier; and Anna Wishart. Senators absent: None.

SENATOR STINNER: I want to welcome everybody to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and represent the 48th District. I serve as Chairman of this committee. I'd like to start off by having members do self-introductions, starting with Senator Clements.

SENATOR CLEMENTS: Thank you, Mr. Chairman. I'm Rob Clements from Elmwood, represent Cass County, parts of Sarpy and Otoe, District 2.

SENATOR KUEHN: John Kuehn, District 38, seven counties in the south-central part of the state.

SENATOR HILKEMANN: Senator Robert Hilkemann, District 4, west Omaha.

SENATOR STINNER: John Stinner, District 48, all of Scotts Bluff County.

SENATOR BOLZ: Senator Kate Bolz. I represent District 29 in south-central Lincoln.

SENATOR STINNER: As you can see, not everybody is here. They'll be coming in and out. A few people are presenting their bills in front of different committees, so people will be coming in and out. At each entrance you will find green testifier sheets. If you are planning to testify today, please fill out a green sign-in sheet and hand it to the committee clerk when you come up to testify. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits

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in the permanent record at the end of today's hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures: Please silence or turn off your cell phone; move to the reserve chairs when you are ready to testify. Order of testimony is introducer, proponents, opponents, neutral, and closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency. We will then hear testimony from anyone who wishes to speak on the agency's budget request. We ask that you spell your first name and last name for the record before you testify. Be concise. It is my request today that our agency testifiers limit their testimony to five minutes. When we get to LB944, Section 71, Federal Title X funds, we will be limiting that testimony to three minutes. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, please raise your hand now so the page can make copies for you. With that, we will begin today's hearings with Agency 18, Department of Agriculture. [AGENCY 18]

(AGENCY 18 AND AGENCY 48 HEARING)

SENATOR STINNER: We'll now open the hearing for Agency 50, State Colleges. Good afternoon. [AGENCY 50]

STAN CARPENTER: (Exhibit 1) Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Stan Carpenter, S-t-a-n C-a-r-p-e-n-t-e-r, and I'm the chancellor of the Nebraska State College System, today here to chat with you about LB944 and the reduction of General Fund appropriation proposal for the Nebraska state colleges. But before I begin I just want to throw out a special shout-out, if you will, or a special congratulations to Peru State College which just celebrated it's 150th birthday, along with the state of Nebraska. Peru has been an integral part of the state of Nebraska and its history from the beginning and will continue to play a vital role in its future, but at least the next 150 years. I believe you have in front of you a fairly thick green booklet that contains letters of support from folks and student testimonials and editorials of support, and I would ask that this become part of the record. I think you will see that there is...the letters of support are from a broad and wide group of folks from chambers and businesses and educators and alumni. And that document contains...this document

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contains over 90 letters of folks, and there is also a table of index for those letters and you can scan that to see folks that you might know or folks who might be from your district or whatever. And I know that you won't have time to read them all but perhaps a short sampling of one or two of those would be good. You will also see testimonials from our students, over 700 of our students, that we got together in just about a week or a week and a half and we asked them the simple question: Why is your college--Chadron, Peru, or Wayne--important to you? And you can see what those responses are. I was very touched by those comments. I think you'll find many of them very poignant. And I must admit I was very tempted just to come in here today and read from those comments because I think they are very telling and tell the story of the Nebraska state colleges very well. I think you can tell that the most important thing for us in the Nebraska State College System is our students. We talked about this before but about 50 percent of our entering classes every year come to us as first-generation students, the first in their family to attend college, and they don't have a parent or a guardian who can help them kind of wend their way through the ins and outs of higher education. And we work very hard to do that for those students to set them up for success. So I will give you a few quotes that I found to be interesting and poignant in my testimony today if you don't mind. Ethan Arnold from Lincoln wrote this: Peru has saved me. Peru has saved me, it has really allowed me to get an affordable education and really succeed in college. I come from a lower middle class family who doesn't have a whole lot of college graduates, but Peru is the reason I can be a success story from my family. That was from Ethan Arnold in Lincoln. Now I've talked with you all, and you all know this to be true, that in this year's entering class at Peru a third of those students come from families who have incomes of less than \$30,000 annually. About half of that class comes to Peru from families that have less than a \$50,000 annual income. Many of our students come to us across the system with serious financial hurdles to overcome to be successful at our institutions and these students are provided an opportunity, I believe, that they would not be provided anywhere else in the state. Courtney Haywood of Gering, Nebraska, who is an English Literature major at Chadron, wrote this: It is flexible and affordable and I wouldn't be able to go to school if it weren't for Chadron State College. And Katelyn Billups from Wymore, Nebraska, who is a Graphic Design major at Peru, wrote, "Peru State College has been able to provide the best opportunities for me to succeed as a first-generation college student and to succeed within my career as a graphic designer." She went on to say: I am more prepared here to continue my career in Nebraska than I believe I would have been at any other college. The community of Peru State is unique and

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deserves to be recognized for their care every single day that they have for each student and each other. As you know, we are institutions of open enrollment or, as I like to say, colleges of opportunity, and so we must provide strong student support services for those students to make sure they have every chance to succeed. Here's an interesting quote from an out-of-state student that I think you'll find intriguing in some ways. Alba Laredo from Kansas City, Missouri, who is an Exercise Science major at Wayne, said this, "Wayne State is important to me because I come from a small family struggling with money and Wayne was my only future and affordable school to go to, and on top of that I'm the first generation to go to school, and so Wayne was the only school that accepted me." I knew it was time to get away from my hometown and to start to know new people and new places. It's important for the state of Nebraska because I feel that Wayne State is a good future for those of us who come a long way and who have tight finances, and I feel that Wayne has a lot of opportunities for those who couldn't get accepted elsewhere and Wayne was their choice for their passion to go to college. You know, we contribute, as you know, significantly to the economies of rural Nebraska, but, more importantly, we prepare the work force for rural Nebraska. And a good example of that is a program that you all are aware of and that's the RHOP Program, the Rural Health Opportunities Program, a partnership that we have with the Medical Center wherein students from our institutions are admitted to our institutions, given a tuition scholarship. They succeed there, they're automatically admitted into medical school. When they do that then they generally return to rural Nebraska to provide health opportunities for folks in rural Nebraska. Since that program was implemented about 523 of our students have completed the program and gone on to the Medical Center. They completed their chosen program in their health-related fields, and of that, 45 percent of those students have returned to rural Nebraska to serve as doctors and physician assistants and physical therapists and medical radiographers and medical lab technicians, dentists, dental assistants, and so on and so forth. I think that program, simply by itself, exemplifies the impact that the Nebraska State College System has on rural Nebraska and its work force in meeting the needs for folks who choose to live in rural Nebraska. As a result of that program, we have developed another program that mirrors that to address the shortage of lawyers in rural Nebraska. Many people would not find that to be a good thing, but those of us who are lawyers think it's a good thing, and that's the new RLOP Program, Rural Law Opportunities Program. As I said, that program has now been established in partnership with the Law School to have students come to us and scholarship with us, work hard, be successful, take the LSAT and then they are granted,

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guaranteed admission into the Law School. This program is only two years old, but it has already achieved national recognition by being presented the Louis M. Brown Select Award for access to legal services from the American Bar Association. And so Jordan Haas, a Chadron State alum said: Nothing says commitment to our rural Nebraskans like the RHOP or RLOP offerings in the State College System. "Look into any regional hospital or small-town clinic across the state and you will find these students." It is important to the future of Nebraska to keep these programs thriving. And Jaden Moore, who is from Norfolk, Nebraska, and a Chemistry and Health Science major at Wayne, said: Wayne allows for quality education at a fair price. "Without this institution and the scholarships it has awarded me, I would not be able to achieve my dream of attending medical school." I plan to help Nebraska with my education by becoming a physician that practices medicine in rural areas. "Wayne State has many programs to benefit these underserved areas, such as RHOP and RLOP. Wayne State and its faculty are educating the future of Nebraska and," he went on to say, "without knowledge we have nothing." Our students generally stay or remain in rural Nebraska for their careers. Wayne State reports that about 80 percent of their 2015-16 graduating class are either employed in Nebraska or attending graduate school in Nebraska. And you know that the State College System produces about 20 percent of the certified new teachers in Nebraska every year and close to 60 percent of those students teach in rural schools. Jeffrey Koehler, who is Johnson-Brock Public Schools superintendent, said in his letter: Fifty percent of our certified teaching staff has a bachelor's degree from Peru State College and another sixty percent hold a master's degree from Peru State College. Terry McClain, who is the retired chief financial officer at Valmont Industries, wrote in his letter: It has been my experience, while working in business as the CFO of Valmont Industries for over 20 years, that the quality of Wayne State graduates was not only high but the graduates tended to be loyal to the state of Nebraska and its employers by staying in the state for their career opportunities. "In a time when the state of Nebraska needs to retain well-educated individuals, institutions such as Wayne State College must be supported as much as possible to continue 'the good life' and growth necessary to support the future of our fine state." And Rod Koch, who is the South Sioux City mayor, wrote, "Higher education is the pathway to a robust work force that is prepared to face challenges and provide the fresh ideas needed for a prosperous state economy." He went on to say: Wayne State has long served South Sioux City, educating our business leaders, our lawyers, our law enforcement officers, health professors...health professionals, teachers, and others among our work force. And Dean Jacobs, who is a Wayne alum, wrote, "The numbers you

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are working with are the future dreams of people like me," he wrote, "who Wayne State College welcomed and nurtured to help create a platform for a bright future." When we have a General Fund reduction in our state appropriation, we have only two options available to us. We can either cut our programs and services or we can increase tuition, which again, of course, is really an added tax on our students. A reduction in our services and programs directly affect the majority of our students. Clearly, a tuition increase directly...negatively impacts all of our students. And since we are all about access, this really is difficult because it limits access either to programs or to the colleges themselves because of increased tuition. A couple points of clarification if I might about that: We have two sources of income--state appropriation and tuition. We do not have access to property tax authority. Ninety-seven percent of our federal funds come directly in the form of student financial aid. Last year I think we had about \$100,000 in federal financial aid for research. We have foundations but they are very fairly modest by comparison to other foundations, probably in the \$10-\$15-\$20 million range of assets. And we cannot, nor would we, ask them to provide funds for our operating expenses. Their focus is on raising funds for tuition scholarships for our students. About 70 percent of our general cash fund and appropriation dollars go toward personnel use. We are a personnel-driven industry. And when positions are eliminated at our institution, there is a direct impact on our students. And each position that's eliminated also has an economic impact in the rural areas where our colleges are located and where our employees live. When we were asked last year to make a 4 percent reduction in our 2016-2017 annual appropriation, we stepped up to the plate and we did that. We said that we would figure out how to do that and we wanted to be a good partner, and we still want to be a good partner. But we asked that our 2017-2018 General Fund appropriation not be reduced further because long term and/or continued reductions are much harder to deal with than one-time cuts. And when funding decreased again slightly for 2017 and 2018, we in fact dealt with that in a way that made some sense to cover our needs, such as increased costs in our salaries, in our insurance, and our utilities, operating expenses, and so on and so forth; that is, to cover our core needs to make sure that our institutions just kept their noses above water, if you will. To deal with that the board increased tuition by 7.5 percent to make sure that we could continue to operate and provide the service necessary for our students. We saw a 5 percent, nearly a 5 percent reduction in our enrollment in that time frame. I don't have empirical evidence to say that those two are connected, but my gut tells me that it does. We do know that tuition increases have the greatest impact on the students that we serve, especially those who come from

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moderate or low-income families, as you've heard from some of our students earlier. I have had many conversations with our presidents over the course of the year to talk about plans and strategies to deal with the enrollment dip to see if we can recover from that. I believe we can, but we won't know that until next year or maybe even the year after. So we have to plan for that as a permanent reduction in revenue. So as I said to you before, we find ourselves with a three-pronged problem. The first is a \$2 million problem in terms of a 4 percent reduction in our state appropriation for next year, and a \$1 million problem for the appropriation reduction proposed for this year. The economic impact of our downturn in enrollment is about \$1.6 million that we have to "permanentize." And then we face covering our core need increases again for next year. We have bargained salary increases, utility increases, new building openings and operating increases that we have to pay for, and that amounts to about \$2.3 million. So that's a \$6 million hole that we face next year. Tuition, services, programs are options. Context, if you will: If we were to cope with that all on the side of tuition, going to raise tuition to cover all that hole, it's a 20 percent tuition increase. We're not going to do that, but that gives you the sense of the magnitude of the problem. If we go to the other end of the spectrum and say we're going to deal with this with cuts in services and programs and so on and so forth, reduce our operations by laying people off, it's about 80 people. It's about 10 percent of our work force. So you can imagine what it might be like if you live in Wayne or in Peru or in Chadron and the college cuts 25 positions, just say 25 positions at each one. The impact on our students will be dramatic. The impact on the economy of that region will be dramatic with loss of income from those 25 or so people at each of those institutions. So obviously, that's a serious, negative impact on our students and the rural regions where we live. We have taken some practice tests this year in terms of the cuts that have been proposed. I sent a memo out to the colleges in January telling them to take a hard look at the way they are spending money. And before that went out in September, in October we had conversations with the presidents saying watch your spending, be careful, spend only on what is really essential. The memo that I sent out laying out specific cost controls that were effective immediately had an impact on positions and hiring and travel, contractual services, supplies, utilities, and capital purchases. All those things have been reined in tightly. I have to approve any new position that is created. I have to approve any new position that is filled or position that's vacant and has to be filled. And the direction is only the most essential positions to the operation of the colleges will be filled, keeping in mind that students are first. We want to do all we can to protect our services to students. So we have some short-term efforts

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here but many of those are not sustainable over the long haul. And each college is now in the process of beginning to look at what to do for next year, putting committees together, bringing people together to say, all right, what do we do if there's an additional cut next year in our General Fund appropriation. For the second time in two years we find ourselves doing this and this takes time and energy and effort and creativity away from our core mission of teaching our students and moving our colleges forward. We are a very small portion of the state budget, state colleges are, but I believe the budget cuts that are being proposed have a disproportionate effect on us due to our size. If you would bear with me for a minute, I'd like to read from a recent article from Moody's rating, bond rating service where it discussed the challenges of slow growth of state support, not cutting state support but slow growth of state support for colleges and universities. The article said: The effects of limited funding increases--limited funding increases, not cuts--the effect of limited funding increases will be greatest for small public universities. It goes on to say: Having consumed much of their pricing power after the large postrecession increases, public universities, especially regional universities--regional, public institutions, comprehensive institutions like Peru and Chadron and Wayne--have limited ability to respond to the modest increase--not a decrease but a modest increase--in state appropriations. Many regional universities serve primarily in-state, undergraduate students--Chadron, Peru, and Wayne--where tuition increases may be limited by the state--thank God that doesn't happen here--but more effectively...or limited more effectively by and constrained by a demand of affordability. So that's an article from Moody's talking about the difficulty on colleges like ours with slow growth increases in the appropriation, not a decrease in our appropriation. Interestingly, there was an article in the January 1, 2018, Lincoln Journal Star which was talking about the place higher education finds itself in the budget cuts and so and so forth. And there was a quote by Governor Ricketts that I'd like to share with you and he said that, quote: The Nebraska State College System had taken a larger cut relative to its size last year. We offer a combined 8 number of graduate programs across the State College System and 32 undergraduate degree programs, so we don't have a lot. But those programs reflect, if you will, the basic areas of study that are essential and expected of a four-year comprehensive regional institution, programs like math and science and history and art, and education, business, psychology, criminal justice. And we took a close look at our academic programs and I asked our vice chancellor for academic affairs to look at our lowest enrolled programs and to see whether or not, if we cut those, would it make a difference. And the analysis showed that there would be no

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significant savings if we did that. In those small programs we only have one or two or maybe three faculty, full-time faculty, who teach in those programs. So if we were to remove the degree option, if you will, that would not necessarily eliminate the need for those faculty positions because oftentimes those faculty then teach courses in the general education program of each of those institutions and coursework in those areas, of course, are essential to the foundational knowledge and skills that students earn and learn as a part of their degree program. And even if we did eliminate all those low-enrolled programs, the loss in income, that is the loss of student attendance for those people who are enrolled in those programs, would result in yet a greater loss than the potential savings in salary savings by cutting those faculty, those faculty lines. So what does that mean? We don't have any fat in our academic program area. We are as lean as we can be and continue to offer a high-quality educational opportunity for our students and the citizens of Nebraska. If we were to start to cut programs like that, I am absolutely certain that we would see another drop in enrollment and continue an enrollment decline spiral that we would not recover from. So, simple singular request: Don't cut us any further. Do not cut our budgets any further, please. These colleges are significant assets to Nebraska and they must be preserved. They cannot be continued to be whittled away at and weakened and pecked to death like a duck. Can't do it anymore. We need to sustain where we are. And actually, we'd like more but we understand where the state is. So again, I implore you, please, find a way to hold us harmless so we can maintain our appropriation at its current level for this year and for next year. Our colleges give every young person and every old person, even like me, the chance to go to college and the opportunity to succeed. The fall 2017 term, Chadron State College reported that it had at least one student from 90 of the 93 counties in Nebraska. So it doesn't matter if you're a young person or an old person, from Nehawka or Blue Hill or Gering, Omaha or Lincoln or Elmwood, whether they were the class valedictorian or whether they had a tough time getting their diploma in high school or whether they went and got a GED afterward, we are the colleges of opportunity in Nebraska. We have a rich, long history, as you can see by Peru State College's 150th anniversary in this state. And I am seeking, we are seeking your assistance to assure that our colleges remain viable, solid, strong assets to the state and especially in rural Nebraska. So let me wrap up by saying that I appreciate that a couple of critical items for the State College System were not included in the proposed budget cuts: continued state funding for our bond program for state buildings--we cannot maintain those payments without the state appropriation; and continued appropriation for the Nebraska Sport Facilities Cash Fund, which is clearly very important to us

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as we maintain, renovate, and build up our recreational and athletic facilities across the state at our institutions. I also want to thank this committee for its support of LB957 in 2016. That was a continuation of LB605 for capital funding for some projects. We now have a building coming out of the ground at Wayne for the Center for Applied Technology, the only four-year academic program for that program in the state of Nebraska. We now have the Peru's Theatre and Event Center work really coming along very nicely with that new addition as well. And the Chadron State Stadium project is now moving along and hopefully will be ready for the next football season next year. I would be remiss if I didn't remind the committee that the first priority for capital for us is the Math, Science Building at Chadron. Several of you have been there. Several of you have seen the need to have that building renovated. And I know \$25 million is a lot of money right now, but if anybody wants to talk about that we have some pretty creative financial, financing options and ideas that we could put forward to get that building on its way at this time. So having said that and having taken more of your time, I thank you for your consideration and I'd be happy to answer any questions you might have. [AGENCY 50]

SENATOR STINNER: Questions? Senator Kuehn. [AGENCY 50]

SENATOR KUEHN: Thank you, Mr. Chairman. Thank you, Mr. Carpenter, for being here. And I appreciate taking the time today to walk this committee and also people across Nebraska who are watching us here and to walk them through the State College System with such detail in terms of your funding mix and student population you serve and the needs that you bring. Before I get to my question, I do want to make sure that it's on the record so when our colleagues and the people who are watching get a chance to take a look at the letters you submitted, I appreciate the comments that you provided. But there are over 90 unique letters in here and as I've gone through the book there's nothing from or talking points about them. They are unique letters from civic leaders and business leaders and educators. I think what's most interesting and telling is they all come from the small communities in which you serve. [AGENCY 50]

STAN CARPENTER: Uh-huh. [AGENCY 50]

SENATOR KUEHN: So in my time, which has been short, in the Nebraska Legislature, I don't think I've ever seen as compelling of an assemblage of testimonials from the heart that are

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unique from people representing each of our constituencies, the people who make Nebraska great. And I really appreciate the time and effort behind assembling this because I think it's an important part of the record, an important reminder to us about what the State College System means in all of the corners of our state. [AGENCY 50]

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

SENATOR KUEHN: So with that, I guess I do want to just go back to the issue of your funding mix. And I think you did an excellent job of walking us through so I don't want to belabor the point, but unlike, and not to...simply providing an objective comparison, unlike other higher institution education in the state, you do not have the other levers to pull. When it comes to tuition and state General Fund appropriation, there simply is no other way to make up that shortfall, correct? [AGENCY 50]

STAN CARPENTER: That is correct, Senator. It's either tuition or state appropriation. There is no other revenue source for us. [AGENCY 50]

SENATOR KUEHN: And in the event that program reductions would need to take place, so talk to me a little bit about the challenges of recruiting faculty for some of these programs... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR KUEHN: ...in Wayne and Chadron and Peru. And I bring to that because I remember reading an article once that Wayne has like the highest concentration per capita of Ph.D.s of anywhere in the country. And certainly knowing the challenges in the tri-cities area at times with recruiting faculty, I've served on a number of faculty search committees, and it's not easy to get a Ph.D. biologist to come to Hastings. And I imagine some of the similar challenges are there with the State College System. So talk to me about the impact of even a temporary programmatic cut on your ability to recruit and retain faculty going forward. [AGENCY 50]

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STAN CARPENTER: Thank you, Senator. Well, it's difficult to begin with to find qualified faculty, credentialed faculty, as you know, to come to Wayne or Peru and especially to Chadron. There are many times when I've talked to the presidents about a failed search for a faculty member or faculty members. I mean some searches have gone on three or four or five times before they get a qualified faculty member to come. You have to want to live in Chadron or a place like Chadron or Peru or southeast Nebraska or northeast Nebraska generally. But faculty members, as you know, Senator, are interested in their field and they want to be able to teach in a field that they can work with people who want to major in that field. That's very important to faculty. So if we try to hire faculty where we say all you're going to do is teach in general education, which is critically important, I mean don't...let's don't pretend it's not. It really is. But faculty want to have some opportunity to be able to teach in their field and teach upper division courses in their field, as you know. So if we were just to try to hire a biologist who was going to teach Introductory Biology and Biology 203 as opposed to ever having somebody who might major in that, I don't know if we'd ever be successful in that. And I don't know if we can talk about temporarily ending a program. I think once you end a program it's pretty hard to bring it back. It's pretty hard to get somebody who wants to come in and build that back up, regardless of what their interests are. So it's hard enough generally with our locations, and if we cut a program or take the degree option away from faculty that will make it nearly impossible, I believe.

[AGENCY 50]

SENATOR KUEHN: Thank you. I appreciate (inaudible). [AGENCY 50]

STAN CARPENTER: Thank you for noting that about the letters because those individuals took their own time and energy and effort to write those letters and we appreciated that a great deal.

[AGENCY 50]

SENATOR KUEHN: I wish I could get 90 people to do individual letters for some of my causes sometimes. (Laughter) That's great. Thank you. [AGENCY 50]

SENATOR STINNER: Additional questions? Senator Bolz. [AGENCY 50]

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SENATOR BOLZ: Thank you. Agreed, there's some nice materials here and we appreciate your advocacy in your work. [AGENCY 50]

STAN CARPENTER: Thank you. [AGENCY 50]

SENATOR BOLZ: During my time on the committee I have learned not to get ahead of myself in terms of fiscal forecasts. [AGENCY 50]

STAN CARPENTER: Uh-huh. [AGENCY 50]

SENATOR BOLZ: Nonetheless, the receipts in December and January are positive and I think we have some data-based reasons for optimism. [AGENCY 50]

STAN CARPENTER: Yea! [AGENCY 50]

SENATOR BOLZ: (Laugh) So could you talk to me, if we...and I realize this is not your ask or your preference, but if we were able to address the second year cuts related to an uptick in the forecast,... [AGENCY 50]

STAN CARPENTER: Uh-huh. [AGENCY 50]

SENATOR BOLZ: ...what would that mean for the State College System. [AGENCY 50]

STAN CARPENTER: Well, obviously, we'd like you to hold us harmless for both years, but if you were to say to me, okay, deal with it this year, Stan, and I would tell you, okay, we will. And if you would tell us that you're going to hold us harmless for the second year, I would say thank you very much and try to run away as fast as I could. It obviously would make a big difference for us in that second year with the hole that we have to fill. The enrollment dip is a problem, obviously, and as I said, I think it's, from my perspective, directly related to our decision to raise tuition beyond kind of an inflationary or reasonable number of 3 or 3.5 percent. I'm hopeful that we can fill that, or at least fill some of that next year. So if you held us harmless in the second year and we had any kind of success in our enrollment issue, then we'd have to cope with the

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increased costs in our core needs, which we will and we'll find some balance in that. And I don't know what that balance is. The board has not yet had any conversation about tuition or anything of that sort. It's too early yet. And I hope you're right that the Forecast Board at the end of February says, yea, we're going to be rich, but that's probably not going to happen. So anyway, that's the way we would think about it, Senator. We could make it work this year if we had to.
[AGENCY 50]

SENATOR BOLZ: Uh-huh. I don't want to put words in my mouth...in your mouth... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR BOLZ: ...so keep me on track, but I think some of what you're communicating back is that even if we were to address some of those second-year needs related to a forecast report, there may be some points at which it's hard to go back, given to the first-year cuts,... [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR BOLZ: ...particularly as it relates to losing faculty, programs, or reaching that tipping point where the increase in tuition and the decline in enrollment... [AGENCY 50]

STAN CARPENTER: Uh-huh. [AGENCY 50]

SENATOR BOLZ: ...puts you on a downward path. And please, editorialize because that's just what I'm taking away from your comments. [AGENCY 50]

STAN CARPENTER: No, I think you've captured it fairly accurately, Senator. There's always a balancing act and we'll deal with that next year, given whatever it is we have to cope with. But it would sure be a lot easier if we didn't have that \$2 million loss from our...\$2.1 million loss from our General Fund appropriation. Some of the cuts that the colleges will make this year will carry forward. We know that. But a lot of those are short-term fixes and we're talking about a long-

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term problem here in terms of "permanentizing," if you will--I hate that word but--the cuts that we have to make so that we can make our budget balance every year. [AGENCY 50]

SENATOR BOLZ: Thank you. [AGENCY 50]

SENATOR STINNER: Thank you for being here. [AGENCY 50]

STAN CARPENTER: Yes, Senator. Thank you for the opportunity. [AGENCY 50]

SENATOR STINNER: Did I understand you saying that as you work your budget and as you look at increases in salaries, as you look at increases in healthcare costs, maintenance, utilities and all of that, that it was about \$2.3 million? Is that... [AGENCY 50]

STAN CARPENTER: That will be the increase in our core needs next year. [AGENCY 50]

SENATOR STINNER: Core needs, okay. [AGENCY 50]

STAN CARPENTER: Yes. And that is, you're right, bargained salaries--we have three unions that we bargain with; utilities costs. Fortunately for us the problem would be much worse except our EHA, Educators Health Alliance, has announced that there will be no increase in our health insurance costs next year. So it could have been much...even worse than it is. [AGENCY 50]

SENATOR STINNER: So spreadwise, between percentagewise, we, the state, gives you \$52 million and then you get how much from tuition? What's that percentage? [AGENCY 50]

STAN CARPENTER: We're at about 57/43 or something like that, Senator. [AGENCY 50]

SENATOR STINNER: Okay. [AGENCY 50]

STAN CARPENTER: And when I first got here 18 years ago it was about 66, 67 to 32 or 33. [AGENCY 50]

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SENATOR STINNER: Okay. So your ongoing costs are going to exceed, well,... [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR STINNER: ...it's going to exceed 3 percent from the General Fund side of things.
[AGENCY 50]

STAN CARPENTER: Even if, yes, even if you hold us harmless, it's going to exceed what we have. So we will have to cope with that, as we have in the past, in terms of some tuition increase and some reduction in services. Each college is working on that now. That doesn't come down from us centrally. They know better out there than we do. So they have the task, the unfortunate task of trying to figure out what...and we give them their share of the problem and they figure out how to cope with that. And then they send that to us in the system office and we review it to make sure that it's legal, that it comports with all of our bargaining agreements, and that it comports with board policy. And then if all those are met, unless there's some red flag, that has never happened, we say, okay, go ahead and implement those cuts given what the board has decided to do with tuition. [AGENCY 50]

SENATOR STINNER: And I think the long-term plan or at least the next biennium plan will be for about a 3 percent increase in appropriations on the template the Budget Office has put together. So I think that word needs to get out and people need to really start to... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR STINNER: ...think how they manage through that. And I did notice that we did take \$2,096,000 out as a one-time reduction,... [AGENCY 50]

STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR STINNER: ...reestablished the base... [AGENCY 50]

STAN CARPENTER: Uh-huh. [AGENCY 50]

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SENATOR STINNER: ...at 52.4. but a .5 percent came out the veto side. [AGENCY 50]

STAN CARPENTER: Took another half. Yes, sir. [AGENCY 50]

SENATOR STINNER: So as I look at the cumulative effect, we're at \$5,718,000 or \$5.7 (million), let's just put it that way,... [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR STINNER: ...in terms of reductions cumulatively on the state college with an appropriation base of \$5.2 (million), which is much greater than 10 percent... [AGENCY 50]

STAN CARPENTER: It is. [AGENCY 50]

SENATOR STINNER: ...last I looked anyhow. So I'm just putting that on the record. [AGENCY 50]

STAN CARPENTER: Thank you. [AGENCY 50]

SENATOR STINNER: Probably don't need to respond to that. But you do need to respond to what I saw today in the paper and as well as I've got the Nebraska Auditor's reports... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR STINNER: ...delivered to me today. I've just briefly looked at it. Some of the recommendations I think now you probably had the opportunity to look at, respond to. Would you like to add some color to that report? [AGENCY 50]

STAN CARPENTER: I appreciate the opportunity and we have done that. Interestingly, that report, the APA's report, came out in mid-December. I think it was December 12. And since that time we have responded to that finding and we've been working on improvements at our

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institutions, including some reorganization of our departments of accounting and the process to hire two new comptrollers at two of our institutions. So since it's been out there since mid-December, it strikes me as at least odd or surprising that the story came out this morning. You can draw from that whatever you will. I don't know what (inaudible), but it just seems odd to me. I do want to remind the committee that we got an unqualified opinion, I think that's a good thing, from the APA. And the issue of the Athletic Department at Wayne was kind of one-time isolated incident, if you will. We have taken steps to address that specifically. We have reorganized that position. The person who was in that position is no longer employed at Wayne. We have looked at our internal controls, which were in place but weren't being followed, as you might surmise. And we brought in BKD to look at our internal controls to make sure that they, as an independent auditing firm, felt that they were the right kind of auditing controls to have in place, and they helped us in that regard as well. So I think that one-time isolated incident is taken care of. As far as the findings on the reclassification, you know, those are revenue and expenditure issues that really don't appear, and I don't want to throw anybody under the bus here, but they don't appear very different to me than the findings I found in the university's audit as well. And all of us in higher education and government have seen in recent years a great increase in the demands from the APA and in the accounting world generally, and I think, as a banker, you know that and understand that. At least the bankers on my board tell me that as well. So that dramatic increase has pointed out to us that we've been not...we've not been staffed as well as we should have. Part of that is a reflection of our...of how much money we have, basically, of, you know, how much we have to operate our institutions. So as I've said, we've taken that into consideration. We're hiring two new comptrollers at two of the institutions. And I think those challenges can also been seen in the recent qualified opinion that the state CAFR got. So it's difficult to maintain all those so we're doing everything that we can. And we appreciate the Auditor's work. We appreciate the Auditor pointing out issues that we have. Obviously, we've taken issue with some of their issues, as any auditee does, but we're also working to make sure that we are going to have an audit next year that doesn't have the same reflected problems. Every audit has a problem. Every audit has found there's findings of some sort of shortcomings. But we're working very hard not to have these again. [AGENCY 50]

SENATOR STINNER: Thank you for your comments. [AGENCY 50]

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STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR STINNER: Senator Watermeier. [AGENCY 50]

SENATOR WATERMEIER: Thank you, Chairman Stinner. Appreciate it, Chancellor, being here today and.. [AGENCY 50]

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

SENATOR WATERMEIER: ...couldn't help but think a little bit, as you went around that good question with Senator Bolz here, your position in state college is always so unique. It's somewhat like what we have in Appropriations where we have a little bit of discretionary work in our budget: \$4 billion in our state budget but only about \$1 billion is discretionary in some ways. Flip, flip over on your revenue streams are not as discretionary as some higher level education and I get the fact that you don't offer services like some universities and different things do. You don't obviously get property taxes. But how I like to get in to things numerically or if a metric, what could you help me through as far as that thinking process? And I get the fact that you have open enrollment, totally different environment that you offer students, too. Help me and the public get through the fact of the difference in that role. I mean explain me. Now you touched it at the beginning but maybe give me something to think about. If you want to think about it some more, we can talk of the mike sometime. You know, like a metric... [AGENCY 50]

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

SENATOR WATERMEIER: ...for me to be able to... [AGENCY 50]

STAN CARPENTER: ...I'm not certain I understand your question (inaudible). [AGENCY 50]

SENATOR WATERMEIER: Well, the fact is that your revenue streams are different...
[AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

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SENATOR WATERMEIER: ...and they're not as flexible as some. [AGENCY 50]

STAN CARPENTER: Sure. Well, I mean that is the basic metric that we have. We don't have flexibility, as you point out. We come to you and ask you for an appropriation that will help us educate our students, students and citizens of Nebraska. And then we ask them to pay a share of that. And that share has grown over the course of years since I've been here from, when I got here it was about 66 or 67 percent funded by the state to now about 47 or 48 (percent), whatever that number is. [AGENCY 50]

SENATOR WATERMEIER: Maybe what I'm looking for is the fact you said that you could very well have to raise your fees 20 percent. [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR WATERMEIER: And last year the revenue raised 7 percent and you dropped 5 or 6 percent? [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR WATERMEIER: Maybe that's the number I'm thinking of and trying to get to. You know, that would be a pretty serious number for me to consider in this whole process. So we can talk about that off the mike some time if you want. [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR WATERMEIER: If you want to think about it some more... [AGENCY 50]

STAN CARPENTER: I'd be happy to. [AGENCY 50]

SENATOR WATERMEIER: ...you can get back to me (inaudible). [AGENCY 50]

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STAN CARPENTER: Sure. I'd be happy to. But that's an unfathomable number. I mean it just...I don't have a clue what would happen to enrollment but I'm certain that it would plummet.
[AGENCY 50]

SENATOR WATERMEIER: Okay. Thank you. [AGENCY 50]

STAN CARPENTER: But we can talk. [AGENCY 50]

SENATOR WATERMEIER: All right. Thank you. [AGENCY 50]

STAN CARPENTER: Thank you. [AGENCY 50]

SENATOR STINNER: Senator Clements. [AGENCY 50]

SENATOR CLEMENTS: Thank you, Mr. Chairman. Thank you, Chancellor Carpenter.
[AGENCY 50]

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

SENATOR CLEMENTS: I've got a couple simple questions. I would like to know if you could tell us the enrollment at each of the campuses approximately. [AGENCY 50]

STAN CARPENTER: Let me see if I have that in my...2000, I have it for 2017, Senator.
[AGENCY 50]

SENATOR CLEMENTS: All right. [AGENCY 50]

STAN CARPENTER: At Chadron is 2,774, at Peru State it's 2,349, at Wayne it's 3,292, for a head count at 8,415. [AGENCY 50]

SENATOR CLEMENTS: Eighty-four fifteen was the total? [AGENCY 50]

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STAN CARPENTER: Yes. That was for 2000...12/2017. [AGENCY 50]

SENATOR CLEMENTS: I was...and I was wondering if you could speak to what the success rate or graduation rate has been of students. [AGENCY 50]

STAN CARPENTER: Sure. We talk about our success rate, Senator, and that is students who graduate within six years, students who leave us in good standing, or students who transferred to another institution because, for example, we don't have marine biology. That number hovers right at 80 percent. So 80 percent of the students that we deal with are successful in one way or another. Our overall graduation rate, six years, I don't know exactly but I...so I will get you a number on that. But what I know historically is that for like institutions across the country, for open enrollment institutions like us, we generally are at least 10 percentage points higher than the national average in graduation rates, but I'll get you those numbers specifically. [AGENCY 50]

SENATOR CLEMENTS: Thank you. [AGENCY 50]

STAN CARPENTER: Yes, sir. Thank you. [AGENCY 50]

SENATOR STINNER: Additional questions? Senator Hilkemann. [AGENCY 50]

SENATOR HILKEMANN: Well, this is really not a question, just a comment. I appreciate, I'd mention to you, I'd like it on the record, I appreciated the students at Peru being good ambassadors for their university or their college. In June, when the BRAN riders came through on a hot Sunday morning,... [AGENCY 50]

STAN CARPENTER: Great. [AGENCY 50]

SENATOR HILKEMANN: ...and they were out there delivering cold water to all of us. They did a good job of that. Also appreciate... [AGENCY 50]

STAN CARPENTER: That's the Peru culture. [AGENCY 50]

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SENATOR HILKEMANN: Pardon? [AGENCY 50]

STAN CARPENTER: That's the Peru culture. [AGENCY 50]

SENATOR HILKEMANN: That's the Peru culture, yes. I also appreciate I've had a good relationship with your president at Wayne State, been up there to see your building projects up there. Also appreciate the fact that she's looking for new opportunities that she can provide for her student and forward thinking that's there. Sometimes we think, what's the average...what's the range of salary for the faculty members in your colleges? [AGENCY 50]

STAN CARPENTER: Okay, this is going to be kind of a reach up and grab it. [AGENCY 50]

SENATOR HILKEMANN: Okay. [AGENCY 50]

STAN CARPENTER: I would guess it's somewhere between \$40,000 as a new assistant professor to somewhere in the neighborhood of \$90,000 as a tenured full-time, tenured long-time professor. [AGENCY 50]

SENATOR HILKEMANN: Range of \$40,000 to \$90,000. [AGENCY 50]

STAN CARPENTER: Yeah, and that's just pulling it out of the air. It could be \$10,000 more one way or the other or less. I don't know exactly. If you'd like to know that, I can get that for you, Senator. [AGENCY 50]

SENATOR HILKEMANN: How does that range for other colleges, similar colleges across state institutions? [AGENCY 50]

STAN CARPENTER: When I worked in Vermont, now that was 18 years ago, as the general counsel for that state college system, and I got out here, these salaries were a little better than the state college system in Vermont. But Vermont is a very poor state, very poor state with very little industrial options there. So I don't know, but I am going to guess that as we looked at salaries, as we have from time to time from the college, university personnel administrator's handbook, we

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are probably in the first or second quartile for salaries in Nebraska. So we're not out of the ballpark by any means for our salaries. [AGENCY 50]

SENATOR HILKEMANN: Thank you. [AGENCY 50]

STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR STINNER: Additional questions? Seeing none, thank you. [AGENCY 50]

STAN CARPENTER: Thank you for the opportunity, Senator. Appreciate it. [AGENCY 50]

SENATOR STINNER: Do we have additional proponents? Seeing none, do we have any opponents? Good afternoon. [AGENCY 50]

LARRY SCHERER: (Exhibit 2) Good afternoon, Senator Stinner, members of the Appropriations Committee. Thank you for the opportunity to testify today. My name is Larry Scherer and I'm representing the Nebraska State Education Association. NSEA has around 800 to 900 members who are in postsecondary education, including UNK, the state colleges, and community colleges. And I'm here today to testify specifically against the cuts in Sections 101 and 140 of the bill, and I'm not going to repeat everything that Mr. Carpenter said. I think he was spot-on the issues of quality and quantity of services, tuition, a trained work force, especially in the rural parts of the state. Those are key. I want to talk a little bit about RIFs last year, after the first round of cuts. We represent our members when there are reductions in force and they feel that somehow the process hasn't been followed. And so when Chancellor Carpenter mentioned the potential for 80 more of those, I was thinking that's going to be very significant. The RIF last year, I looked at a lot of the rationale that Wayne State College did in how they got to their reductions last year, and I'd have to say, even though we were still thinking this...our membership not had been RIFed, they did show that they had looked at a lot of the temporary cuts. They had reduced the adjunct faculty. They had reduced things that they could reduce and those aren't there anymore. So just from the standpoint of the probable permanent damage it will do to the colleges and to our members, we would ask that you look at different options. Hopefully the revenues will start coming in better. And you know, if there are opportunities to supplement the

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budget in any way revenue-wise, we would be supportive. I'm thinking of the sales tax on the Internet would probably cover all of these reductions for higher education. But I know that's just one small piece of a big picture. But we would be supportive of a package which would hold our state colleges and university harmless. So I'll stop there. If there are any questions, be willing to answer. [AGENCY 50]

SENATOR STINNER: Any questions? [AGENCY 50]

LARRY SCHERER: And my testimony goes for both the community colleges as well. I'm not going to come up again and use up your time. But they do have the property tax. I think that's not a source we want to move them to, obviously. So they are also going to feel the reductions this year as well if something doesn't happen. So thank you very much. [AGENCY 50]

SENATOR STINNER: Thank you. Any additional opponents? Seeing none, is there anyone in the neutral capacity? Seeing none, that concludes our hearing on Agency 50, State Colleges. We will now open Agency 83, Community Colleges. Good afternoon. [AGENCY 50 AGENCY 83]

GREG ADAMS: (Exhibit 1) Good afternoon, Chairman Stinner and members of the committee. For the record, my name is Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Nebraska Community College Association. Senators, I've also...there are several of the community college presidents in the room. At this point a couple of them may testify. So if you have definitive questions I'll do my best to try to answer them; they can probably be more specific. Every one of our colleges is a little bit different and governed separately as well. I'm going to keep my comments very general. A year ago at this time the community colleges stepped up and probably, if you dug through the sheets of testimony, we said we'll try to be a good partner with the state and we'll do what we can do. Well, I'm here to repeat that: We'll try to be a good partner with the state and do what we can do. However, as much as I'd like to be up here saying, don't cut, don't cut, or we'll just duck down and do what you have to do, it's more of a neutral position. We will do what we have to do. We did it a year ago. We anticipated, based on the forecasts that we were seeing before this Legislature ever convened this session, that there may be more difficulties and so we continued to make adjustments. But at some point there is literally a breaking point where things really begin to hurt. The statutes for community colleges, and I'll

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keep it very simple, tell us that we're to be open access. We take all comers at our college. It doesn't matter. It doesn't matter. And we try to accommodate all of them. And whether it's an associate degree or a certificate in welding or a GED, we try to accommodate all of them. The statute also says that our priority is to be career and technical career training, which is exactly what we do. And the data sheet that I handed out to you shows that the majority of our degrees and certificates are in the area of the trades, the health sciences, career preparation, as we are told to do by the statute. Those are expensive programs, by the way. Economy of scale dictates that you can put 20 or 25 students in front of a math teacher, but when you're teaching some of the more high technology programs, whether it's diesel mechanics or advanced manufacturing or whatever it is, you...the equipment is expensive, the space is expensive, finding instructors is sometimes difficult and you're only going to put so many students in front of those teachers at a time. So they're expensive. The statute requires that we provide academic transfer, and we do, which means that for some students we're the gateway. We're the gateway that sends them on to the four-year world, wondering if they can make it, helping them in a lot of cases with their deficiencies in math and reading, and getting them into college bearing courses that build that confidence to move on to the next level. Many of them come in as academic transfers and don't go on. They find something within one of our campuses and they stay right there. And developmental education is part of our mandate, too, and we provide that on every one of our campuses. And whether it is to high school students, which we stereotypically think, or whether it's to the 30-year-old that has to come back and, whoops, algebra is a lot tougher now than it was 10 years ago when they were in school, and providing those kinds of services. A third statutory requirement is that we provide public service. That can mean a lot of different things. Here's what it means primarily--customized training for area employers. And if you look just at one of the number on the chart and you look at the number of credit hours that are offered that are reimbursable versus the nonreimbursable credit hours, those nonreimbursable credit hours, that's continuing ed, that's adult ed, that's customized training for area employers that our colleges do. The number has been thrown around so I'll throw it around too. About 92 percent of our graduates in our programs stay right in Nebraska. In fact, most of them stay right in the service area that the college represents, a lot of them do. We have property tax, yes. Does that give us more flexibility? Well, on its face one would think. But in light of the pressure on property taxes today and how landowners feel about the use of property tax, everyone of our boards feels the pressure every year when then build a budget from taxpayers protesting and

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coming in and saying, don't raise property taxes, don't raise, lower, and lower at a time when we also have a statutory obligation to keep our tuition low and make it affordable for so many kids. It's difficult when the cuts are coming into place. Let me throw out one number that just stood out at me and you guys already know this number. If we go back to 2008 and '09, our appropriation in that year was about, you know, rounding down, about \$87 million. We were approaching the \$100 million mark until the sky started to fall. And with the cuts that we're looking at in current year is whether...along with what is forecast for '18-19, we would be looking at about \$96 million. So 2008 and '09 we were at \$87 million and if the cuts go through we may end up at \$96 million. That's ten years with a move up and back down. And during that time we experience all the same things that the other folks do: insurance increases, personnel costs all the way around increase. It becomes tough but we're here to do what we can do. I will try to answer questions on a 100,000-foot view of our colleges and we've got a couple of presidents back here that can maybe be more definitive in answers to your questions. [AGENCY 83]

SENATOR STINNER: Questions? Senator Bolz. [AGENCY 83]

SENATOR BOLZ: Thank you. A couple of questions for you, the first is that we've had conversations and it's kind of been on my mind that we had treated higher education somewhat differently. And by that I mean that we didn't take into consideration your salary and health insurance increases the way we did with other agencies. And so I was just curious. It seems to me that that was a challenge for the community colleges. Can you just talk to me a little bit about the impact of those choices from last year? [AGENCY 83]

GREG ADAMS: Right. You know, I think that...and again, I don't mean to pass the buck to the presidents behind me, but I think indeed they could be more definitive. But the reality is I suspect across our system on average we saw, I'm going to say, give or take, about 3 percent increase in personnel cost, maybe a little bit higher depending on insurance, depending on the personnel that you have. We collectively bargain. NSEA represents many of our faculty and those costs are there. They're there and we've had to deal with them. And I expect these presidents will tell you, I don't mean to put words in their mouth, but not filling some positions has probably helped to some degree and what other cut measures they've exercised, travel and

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maybe some programs that were not initiated that were on the books to be initiated, those kinds of things. I don't know if that's answering your question, Senator. [AGENCY 83]

SENATOR BOLZ: That's helpful. [AGENCY 83]

GREG ADAMS: Okay. [AGENCY 83]

SENATOR BOLZ: And like you said, I'll ask the presidents as well. I'm going to ask you the same question I asked the state colleges, and I intend to ask the University System and other stakeholders too. I have some reason to be optimistic about the fiscal forecast. What would the impact of being able to address the second-year cuts be on the Community College System as a whole? [AGENCY 83]

GREG ADAMS: If there was positive numbers, my guess is--and again, I don't mean to put words in the mouths of the gentlemen behind me--but one of the things they'll do is to look at property tax. I mean if you graph it, when we have gotten the aid that we needed typically we've been able to hold the line on property taxes. These gentlemen behind me have their budget hearings when there's people in the room that, whether they be ag or residential, and don't like the property taxes. And it's those boards of governors every year that have to deal with that. I think they'd like to be able to lower their property taxes and to keep their tuition down. And, Senator, our tuitions vary, as I'm sure that President Holcomb can testify to. But what a Metro given economy of scale can offer in tuition versus Western is considerably different. There's a big gap there. And I know that every one of our colleges wants to keep that tuition down so they can keep the doors open for people to get in. [AGENCY 83]

SENATOR BOLZ: Thank you. [AGENCY 83]

SENATOR STINNER: Any additional questions? Just for the record, we're proposing to cut an additional \$5 million, rounded off. You have already, from accumulative three-year cuts, about \$6 million. That's \$11 million versus an appropriations number of about \$99 million right now or \$100 million. So it's north of 11 percent. My presumption is that the community colleges also during this period of time that we're talking about will have 3 to 4 percent operating cost

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increases, which will certainly put them somewhere in close to 15 to 18 percent in terms of cuts. Just wanted to put that on the record, trying to get some feel for what this accumulation effect has been on...not only community college but state colleges and the University of Nebraska. So I'd appreciate that. [AGENCY 83]

GREG ADAMS: You've hit on it, Senator. [AGENCY 83]

SENATOR STINNER: Any additional questions? Seeing none, thank you. [AGENCY 83]

GREG ADAMS: Thank you. [AGENCY 83]

SENATOR BOLZ: Let's see, further proponents for this agency hearing, Agency 83, Community Colleges. Seeing none, do I have any testifiers in the opposition? (Exhibit 4) Okay. Further neutral testifiers. [AGENCY 83]

PAUL ILLICH: (Exhibit 2) Good afternoon, members of the Appropriations Committee. My name is Paul Illich, P-a-u-l I-l-l-i-c-h. I am the president of Southeast Community College. I want to start by just thanking the Appropriations Committee for their ongoing support of the community colleges. I want to give some details to what you just heard about, kind of how we're positioned as community colleges. You heard that one of our main statutory requirements is to be open access, and the main way we can do that is to be affordable. So the three sources of revenue allow us to keep our tuition quite low. I want to put some specific numbers to what you've just heard. Every ten years the community colleges produce about 70,000 graduates and over 90 percent of those graduates stay in Nebraska. To give you some perspective, at Southeast Community College we produced 16,000 graduates in the last ten years. We produced 1,200 graduates in agriculture, 1,800 in construction electronics, over 800 in computer information technology, and over 3,300 graduates in the health sciences, and nearly 3,500 in manufacturing and transportation. Well, here's our challenge. So we're producing all of these graduates in the exact industry where we see dramatic gaps in what we actually need to produce. So we have...one of the major problems in Nebraska is a lack of qualified workers. So if we put this together, we think, okay, if we're producing 70,000 graduates and 90 percent are staying in Nebraska, then we have figured out that's the mechanism for solving that problem. So what that

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means, we're not producing enough graduates. So there's two things we're doing as a community college to address this. One is we're trying to increase that pipeline so we're doing that by all of us are partnering with our high school, with our local high schools through career academies designed to try to push students directly into those pathways where we need to produce more workers. So, for example, at Southeast Community College we have a partnership with Lincoln Public Schools. We have 400 students enrolled in 16 career and technical pathways where they can earn up to one year in college credit upon graduation. We actually have...we have partnerships with 45 high schools throughout our 15-county service area of very similar career and technical type academies. All of the community colleges have some form of career academies. So that's one way, but what's another way we're doing it? All of us are working to expand our capacities to produce more workers. I'll give you a couple of examples at Southeast Community College. In our health science division, the last ten years we produced over 1,400 nurses, 322 radiologic technologists, 281 dental assistants, 257 surgical technologists, and 212 respiratory care technologists. However, we have waiting lists. For example, if you want to get on some of our programs, you're looking at two to three years just to get into the program. So in the same areas where we have a lack of qualified workers, we actually have a waiting list. So over the last two years we've been planning for a new health science facility in Lincoln to serve our 13 programs and to add additional programs in the health sciences. Another area that's very important for us right now where we're looking to expand is diesel technology and welding. In the last ten year at Southeast we produced 165 graduates in diesel technology--truck, 122 graduates in diesel technology--ag, and over 400 graduates in welding. Now our building--this is in Milford--where we offer these programs was built in 1958. The base space will not even accommodate the size of the modern equipment in tractors that we now have. So we're looking at planning to add a new facility in Milford to expand not only the diesel technology programs but to allow us to expand welding, and that's extremely important because every one of our Milford programs requires at least one welding class. The other thing we're doing is we're adding learning centers throughout our 15-county service area. So we added six learning centers in the last couple of years, one in Falls City, for example, right now planning for a space that will allow us to train health science workers, nurses, welders, and manufacturing, so we can support those local communities. So it's extremely important. So I guess one of the things that's a point I wanted to make, at the same time we're navigating these operational budget challenges, we are in desperate need to expand our facilities in order to meet that primary issue that we have in

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Nebraska, which is a lack of qualified workers, and that's a big part of what we do as a community college. So with that, I'll stop and take any questions. I think I can address that question as well. [AGENCY 83]

SENATOR BOLZ: Thank you, Mr. Illich. Any questions for Paul? I do have one and forgive me if it puts you on the spot a little bit. You are testifying in a neutral capacity but I don't hear you saying that these cuts would have a neutral impact on the system. I am concerned that there could be an impact on property taxes or tuition and I wondered if you had a comment on that observation. [AGENCY 83]

PAUL ILLICH: You know, we're testifying in the neutral because we greatly appreciate your support. We know you have very difficult decisions to make. But I can assure that, as you heard before, this does have an impact. So, for example, one of the things you heard me talk about, I wasn't talking about being stagnant. I was talking about needing to grow. So even just to support our existing programs, we're going to have to be creative and come up with ways to do that. But think of all the programs we don't offer that we need to be offering. We're right now in the middle of a study. We know there's a very large number of programs that we could be offering that we simply don't have the capacity to do that right now. So these cuts also, of course, about 80 percent of our funds is tied up in our personnel costs. So in order to expand, for example, the diesel technology and health sciences, that's going to require additional faculty, so that's going to make it complicated when, as you mention, we have three sources of fund but, you know, we're trying to be very prudent and responsible with that property tax. At the same time, we've got to watch our tuition. For example, it ranges from about \$90 up to over \$100 from the different community colleges. If we get that much higher, we're going to create...we're going to make it difficult to meet that statutory requirement of being open access. [AGENCY 83]

SENATOR BOLZ: So is your...are you reflecting that the impact of these cuts might be slowing down growth rather than having a negative impact on property taxes and tuition? [AGENCY 83]

PAUL ILLICH: Well, certainly, it certainly has an impact. I'll give you an example on our ability to expand our capacity. So last year we cut over \$1 million in equipment. That's really, really important. Our programs are...can be quite expensive. For example, if you're talking about our

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agricultural program and you think about the cost of a single combine or tractor, extremely expensive; especially with machining and welding, very expensive programs. And so because we have obligatory contracts with our personnel and that's 80 percent of the cost, that leaves the equipment about the only thing we can cut or one of the main things we can cut. For example, we just opened up a new Culinary Institute at Lincoln and I can tell you that those...that equipment is very expensive. But what we were doing up until recently, we would have graduates come out of the program and they may be asked to work on equipment they've never seen before, use appliances that they just haven't had the opportunity. We're trying to change that. So it makes that quite difficult. But again, we really appreciate the support that you are able to give us. [AGENCY 83]

SENATOR BOLZ: Thank you. Okay, thank you. [AGENCY 83]

PAUL ILLICH: All right. Thanks. [AGENCY 83]

SENATOR BOLZ: Further neutral testifiers. [AGENCY 83]

TODD HOLCOMB: (Exhibit 3) Good afternoon. My name is Todd Holcomb, T-o-d-d H-o-l-c-o-m-b, president of Western Nebraska Community College. In 1993, the Nebraska Legislature passed LB239 charging Western Nebraska Community College to provide instructional and service priorities, including applied technology, transfer, developmental, and adult continuing education, public service, and applied research. WNCC is fully committed to providing those priorities and delivering our mission of assuring learning opportunities for all by enriching lives, invigorating communities, and creating futures. In 2010, I was named president of WNCC. During that fiscal year we received roughly \$11.9 million in state aid. Eight years later we anticipate receiving \$12.4 million, an increase of \$500,000 or roughly \$55,000 per fiscal year. It is an increase, but anyone with experience owning or running a large company will tell you that in present times information technology costs alone can increase to the tune of \$30,000 to \$50,000 per year, not to mention the continual rising costs of healthcare insurance. When looking at the amount of state aid, property taxes, and tuition, it's clear that our taxpayers and students have been covering our costs. WNCC has the highest tuition rate of any community college in the state of Nebraska, and the Nebraska Panhandle is also burdened with some of the

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highest property taxes in the state. WNCC plays an integral role in the success of the Panhandle and also the state. Our three campuses in Alliance, Scottsbluff, and Sidney cover 17,000 square miles and serve 93,000 of the finest residents of the state. We offer a great and affordable education at a fraction of the cost compared to the other regional four-year institutions. We are evolving. WNCC listens to the needs and wants of students and business leaders. We've responded by introducing in-demand programs and classes, such as advanced manufacturing, applied agriculture, cybersecurity, medical laboratory technology, and surgical technology. We are innovative. Wall-to-wall career academies at Scottsbluff and Gering High Schools are trailblazing the way for new concepts in education. We are there with them every step of the way, providing college-level credits, advising, and support. In fact, WNCC has dual-credit partnerships in all but one high school in our service district--26 to be exact. We are responsive and supportive. With the sale of Cabela's to Bass Pro Shops, WNCC was and is there for Cabela's employees when their worlds were turned upside down. We created an accelerated business certificate option to help former employees with retooling. WNCC also leveraged partnerships and resources provided by the state to offer opportunities in entrepreneurship for those who were affected, leading to revenue generation for the state and, more importantly, new hope for the residents of Sidney and the surrounding communities. We know how to work. Our 2.7 percent unemployment rate for the Panhandle is almost half that of the national average at 4.1 percent. But we all know that the baby boomers are starting to retire. Business and industry is counting on WNCC to fill those trade positions. Our students can earn a great education quicker and make an immediate and positive impact in our communities. We are resourceful. We can do more with less. With the last round of budget cuts, WNCC has reorganized and eliminated positions. We are getting by, but with the proposed cuts we run the risk of cutting programs and services which could, in turn, impact the welfare of our residents as well as state revenues. We are local. And sometimes we're the only option for low-income, first-generation students because, unlike residents elsewhere in central and eastern Nebraska, our residents don't have the luxury of choosing and traveling shorter distances to get a four-year institution or trade school. Our competitor 30 miles to the west of us in Wyoming recently built a \$23 million career and technical education center. We are constantly in jeopardy of losing Nebraska students to Colorado and Wyoming. Nebraska cannot afford to lose any more students to neighboring states. In short, Western Nebraska Community College is vital to the success of western Nebraska. I firmly believe the proposed budget cuts will prohibit WNCC from fully fulfilling our mission to

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the residents of the Panhandle. We are the best return on your investment, as 80 percent of our community college graduates stay in Nebraska. I encourage you as committee members to continue to explore other options in order to make the state budget work, and appreciate your time and consideration. I'll take any questions you might have for me. [AGENCY 83]

SENATOR STINNER: Thank you very much. Any questions? Seeing none, thanks for coming in and drive careful. [AGENCY 83]

TODD HOLCOMB: Yes. Thank you. [AGENCY 83]

SENATOR STINNER: Good afternoon. [AGENCY 83]

RANDY SCHMAILZL: Good afternoon. Randy Schmailzl, R-a-n-d-y S-c-h-m-a-i-l-z-l. I'm president of Metropolitan Community College in Omaha, Nebraska. We serve four counties-- Washington, Dodge, Douglas, and Sarpy; close to a million people when you add in Pottawattamie County, just over the river. And so whether you're in Western, Metro, or the four community colleges in between, we cover the whole state of Nebraska as a Community College System, and that has, as you know from being a State Legislature...legislator, that has built in problems in its own due to rural, suburban, urban needs in the state. And I'd like to mention a few things just about the Metro operation. Our revenue comes from mainly three sources: property tax, state aid, and tuition. State aid makes up about 50 percent of our \$100 million general fund, students make up 25 percent, and the state makes up 25 percent. Sixty-four dollars per quarter hour, which relates to about ninety-six dollars per semester hour, is tuition; five dollar fees; our average age, 27. So although we discuss a lot and talk a lot about high school students, and they're important to our operation, 80 percent of our 28,000 individuals that will attend this year are adult learners. They're incumbent workers. There are others looking to change jobs. Around 15 percent already have a four-year degree or higher. That's a pretty good reason to call yourself a community college because it does look like a community. Thirty percent of our population is minority students. So whenever we get a budget cut, no matter where it's coming from, whether it's property tax or student tuition or the state, we only have so much revenue to do what we're doing. So one of the things we've been working with our board on for the last ten years is partnerships and this year we'll take in about \$20 million in federal grants and state

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grants, and we try to buffer these losses with other means of revenue. Donations: We just finished up a \$90 million building project; \$45 million of that was from the private sector. Wayne State, we just...Senator Hilkemann mentioned about Wayne State going out. They just finished up an agreement with Metro on industrial education teachers. So you can take your first two years at Metro and then they'll offer some classes through Metro and for local Omaha students, because we don't have an industrial training program to be a shop teacher, industrial arts teacher in high school. And so that's a great program. Unions: We've been working with the unions ongoing for years. Businesses, K-12, we have about 5,000 students currently enrolled in college-level classes at Metro. They're not all going to come to Metro. In fact, a lot of those students figure out that they are college-level students and they'll go and they'll try someplace else. So the investment we're making in the community colleges, I, not only because I'm the president but I'm a firm believer, and in that investment does make a huge difference for the work force in Nebraska. And the programs that we just built our buildings for is all about the trades, industrial education, prototyping. And I think the biggest thing of the new buildings, what they create is a potential for jobs of the future for companies to come to Metro, set up training centers, and train for the jobs of the future. We only have, what, 2-plus percent in the state unemployment in most areas. So I wanted to mention a number of those and also let you know that the cuts that we received, you know, in state funding, they certainly need to be accounted for and they are. In fact, when we hired 40 new employees for our new building that we opened up, it was a \$250,000 square foot facility, represented about 30 percent of the current Metro square space. We opened it up internally and if you received a paycheck from Metro you were able to apply for the job to start with. And part-timers, part-time regulars, and full-timers applied and the rule was that if you applied from within and you were already employed, that job wasn't necessarily going to get filled. And so we've been working through that and the way we cut some of our work force was by moving our work force to different jobs at the college, some of the newer jobs that existed, and it worked really well. I was very pleased with how it worked. Plus, we were able to work through whether we needed a position, didn't need a position. And you know, sometimes positions run their course and you need jobs of the future with new positions. And that's what we did and I was very pleased with that. So certainly I'll answer any questions but, you know, we're going to have to continue to find ways to make up the difference when we lose state aid.

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SENATOR STINNER: Thank you very much. Any questions? Senator Hilkemann. [AGENCY 83]

SENATOR HILKEMANN: Just...how many of the students that start off in a degree or a certificated program end up completing that program? [AGENCY 83]

RANDY SCHMAILZL: Well, if you go to our nursing students, 100 percent. [AGENCY 83]

SENATOR HILKEMANN: Uh-huh. [AGENCY 83]

RANDY SCHMAILZL: If you go to our utility line, 100 percent. When you start to look at some of the aids, the other trades programs, we normally are around about 50 percent. But since we've established navigators and other people to help coach you through the program, our last quarter, from fall quarter to winter quarter, we had an 85 percent retention rate. Where it is hard to track is where students leave the program early and take a job or transfer to the University of Nebraska-Omaha. And so, you know, it could make it look like you're not finishing students which is a big problem for a college like Metro. That's why I went to the nursing right away where in a specific program, you've been accepted, you got your prerequisites done. And the more students that--remember, we're an open access institution--the more students you have taking developmental classes that need, you know, to improve their math, English, and reading skills, it becomes a longer period of time to complete a two-year degree. In fact, it's a three-year or four-year or five-year and sometimes six-year. And most of our students, 75 percent right now, have a job and also 75 percent are part-time students. So students that have a hard time sticking in a program, due to whatever, financing or academic ability, will start to go part time so they don't have to take as large a load, so. [AGENCY 83]

SENATOR HILKEMANN: So 75 percent of your students right now are working as well as going to school. [AGENCY 83]

RANDY SCHMAILZL: Yep. [AGENCY 83]

SENATOR HILKEMANN: That's great. [AGENCY 83]

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RANDY SCHMAILZL: Yep. [AGENCY 83]

SENATOR HILKEMANN: Have you ever done any like six-year studies of the kids that you had there and what they're doing six years later? [AGENCY 83]

RANDY SCHMAILZL: We do. We work with the state Department of Labor on unemployment taxes and figure out where they're working and, yeah, we know the wages and we know significant...there's a significant increase if you complete your associate degree at the college over your certificate. So I don't have those with me today but we do have those and can share them with you. [AGENCY 83]

SENATOR HILKEMANN: Well, my compliments to you that...what you're doing and certainly the campus that I've been at is doing fantastic and would give a shout-out to your Bistro restaurant for all those kids too. [AGENCY 83]

RANDY SCHMAILZL: Thank you very much. [AGENCY 83]

SENATOR STINNER: Well, thank you. And I apologize if we've covered this before but when I look across the various community colleges, resource distribution is different. Some people get a little bit more from property tax, some get from tuitions. [AGENCY 83]

RANDY SCHMAILZL: Uh-huh. [AGENCY 83]

SENATOR STINNER: And we're working under an existing formula and we've had these discussions at the president's level on the community colleges. Give me some of your observations on how to make it more fair where we're at today, where we need to go with that formula. [AGENCY 83]

RANDY SCHMAILZL: Well, the distribution funding formula we have right now is seven, eight years old, so it needs to be worked on, first of all, to meet the demands that exist across the state. You know, like you said, property tax, some community colleges rely more on state aid than Metro relies on state aid. So the cuts hurt those community colleges. And usually they're smaller

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community colleges in the state. And when you cut the state aid, the smaller community colleges really, really get hurt. Metro, you know, we're about like 25 percent of our budget is state aid, and I don't know exactly what the others are but I'm going to say that it's anywhere from 25 percent to 50 percent of their budget probably comes from state aid. So how we develop this formula to make sure there's accessibility and equal opportunity across the state is important, and I know there's a commitment among the presidents to work together on that and to come up with an agreeable formula that we can live with. So, yeah, I'd like to say it's as simple as, for Metro, if you got 35 percent of the enrollment, you get 35 percent of the money, but it's not that simple.
[AGENCY 83]

SENATOR STINNER: Understood. Thank you. Additional questions? Seeing none, thank you.
[AGENCY 83]

RANDY SCHMAILZL: Thank you. [AGENCY 83]

SENATOR STINNER: Any other testifiers in the neutral capacity? (Public address, inaudible.) Don't know what that was but (laughter) seeing none, that concludes our hearings on Agency 83, Community Colleges. I will say this, that we need to have a break and if we could come back in ten minutes, after a ten-minute break, that would be wonderful. And thank you for being patient.
[AGENCY 83]

BREAK