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Appropriations Committee
February 27, 2017

[AGENCY 51]

The Committee on Appropriations met at 1:30 p.m. on Monday, February 27, 2017, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on the budget for Agency 51, and LB71, LB302, LB303, LB242, and LB514. 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: Good afternoon. Welcome to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and I represent the 48th Legislative District. I serve as Chairman of the committee. I'd like to start off by having members do self-introductions, starting with Senator Clements.

SENATOR CLEMENTS: I'm Rob Clements, District 2. I'm from Elmwood, Nebraska.

SENATOR McDONNELL: Mike McDonnell, LD5, south Omaha.

SENATOR KUEHN: John Kuehn, District 38, seven counties in south-central Nebraska.

SENATOR STINNER: To my left is Senator Hilkemann. He is presenting a bill in another committee. My name is John Stinner. I'm with the 48th District, Scotts Bluff County.

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

SENATOR WISHART: Senator Anna Wishart. I represent District 27 in west Lincoln.

SENATOR VARGAS: Senator Tony Vargas. I represent District 7 in downtown and south Omaha.

SENATOR WATERMEIER: Dan Watermeier, District 1, Syracuse.

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SENATOR STINNER: Thank you. And to my left, assisting the committee today is Jennifer Svehla, our committee clerk. To my right is our fiscal analyst, Kathy Tenopir. At each entrance you will find green testifier sheets. If you are planning on testifying 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 the record as having a position on a bill being heard today, there is white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please silence or turn off your cell phones. Move to the reserve chairs up here in the front when you're ready to testify. Order of the testimony will be introducer, proponents, opponents, neutral, closing. When we hear testimony regarding agencies, we will first hear from the representatives of the agency and that representative of the agency will not be under any kind of time restriction. Thereafter, we will hold other testifiers to a five-minute limitation. I would ask that you first spell your first name and then your last name for the record before testifying. Be concise. It is my request to limit your testimony once again to five minutes. Written materials may be distributed to the 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'll begin today's hearing with the University of Nebraska. Welcome. [AGENCY 51]

BOB WHITEHOUSE: (Exhibit 1) Thank you. Good afternoon, Chairman Stinner and members of the Appropriations Committee. I am Bob Whitehouse, B-o-b W-h-i-t-e-h-o-u-s-e, and I'm chairman of the University of Nebraska Board of Regents. Thank you for the opportunity to address you on behalf of the board. The Board of Regents is guided by a set of strategic goals that reflect the priorities of the university and our state. These include economic growth, work force development, service to Nebraskans, and accountability to our stakeholders. Chief among our goals is providing affordable, quality education for Nebraska students and families. Because of support from the state, and this committee in particular, we have done this successfully for almost 150 years. Today I'm asking for your continued partnership in ensuring that affordable excellence at our public university. One of the primary responsibilities of the board is to set the university's annual operating budget and tuition rates. This is the final step in a lengthy process

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that involves frequent and collaborative discussions with university and campus leadership about the varied puzzle pieces that make up our budget. On the expense side, we look at things like what level of compensation do we want to provide to attract and retain our best talent, as well as health insurance, utilities, and opportunities for strategic investments. Like any institution, our basic costs go up every year. In the upcoming biennium, increases in compensation and health insurance alone will exceed \$40 million. Any reduction to our state appropriations must be viewed together with those circumstances and those increases. The revenue side of our budget is simpler than some people may think. We have two primary sources of funding for the university operations--state appropriations and tuition. The board does not set tuition until we know what the state appropriation will be and we have an opportunity to work with university leadership on our priorities and, in this case, the cuts we know we need to make as we partner with you in navigating this period of fiscal stress. I've served on the Board of Regents for more than a decade. In that time, thanks to stable support from state leaders, we've been able to keep tuition increases moderate and predictable for students and families. I think, for the record, that our record enrollment right now that we're experiencing today is a direct result of our commitment to affordability, and it's an important success story for all of us, given what we know about Nebraska's work force needs in years ahead. We want to keep growing. Maintaining our accessibility will help us do that. However, let me be clear. When my colleagues and I on the board, when we meet this June to consider the university's budget and tuition rates, we hope to see a proposal that preserves our priorities of affordability and quality. But we also understand that President Bounds is going to make the best recommendations possible based on the resources available to him. And we know that with a reduction in state funding we would almost certainly have to vote on an operating budget that limits our ability to be the most affordable and excellent academic institution that we want to be. I've spoken with each of my fellow board members. All of us understand that the funding levels recommended by both the Governor and this committee that the University of Nebraska would be faced with a budget gap that could only be closed with a combination of double-digit tuition increases and significant cuts that could take years to recover from. On the other hand, if you were to hold our 2016-17 appropriated amount of \$583 million flat through the biennium and follow through on the intent language in the 2015-17 biennial budget bill that provides \$3 million for UNMC's iExcel operations, we believe that we could lessen the damage and the long-term impact of budget cuts and keep the tuition increases to single digits. Flat funding plus iExcel represents \$10 million more for the University

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of Nebraska each year than what this committee initially recommended. That \$10 million would make a dramatic difference in terms of tuition costs for students and families and our ability to grow Nebraska's economy. I believe it's consistent and fair and equitable and it's relative to your recommendation for other state agencies. And while we would still have to make painful decisions to close a budget gap well over \$40 million, flat funding would allow us to preserve our fundamental priorities of affordability and academic excellence so that we maintain our upward trajectory. Senators, the university will do its part in managing the challenges ahead. We also play a unique role in sustaining Nebraska's work force, the economy, and a quality of life. With your continued partnership, we think we can extend that impact even further. Thank you for your time. I would be pleased to take any of your questions. [AGENCY 51]

SENATOR STINNER: Thank you, Chairman Whitehouse. Any questions? Senator Bolz.
[AGENCY 51]

SENATOR BOLZ: Thank you, Chairman Whitehouse. I appreciate your comments about partnership. That's how we see it too. And, appreciate your comments that some additional funding might allow you to manage tuition rates. And forgive me for just cutting to the chase here, but I think that's one of the major issues in front of us. I think keeping tuition rates reasonable while managing the amount of money that we're able to invest in the university is the key here. So will you give me some more information about your hopes or intentions as it relates to tuition, and can you talk about that specifically campus by campus? [AGENCY 51]

BOB WHITEHOUSE: I will defer any dollar figures to the president and those who follow me. But I would just...I would answer that question by saying it is one of the highest priorities that members of the Board of Regents, on a year-by-year basis are confronted with and challenged. And you know I represent an area, Senator Vargas, his area like mine, and if I have a constituents and families and students that ever talk about any one thing, obviously, it's going to be tuition. So there isn't a member of the Board of Regents that is not absolutely cognizant of what a percent, 5 percent, 10 percent means to those families. And that's why we're here to be a partner in a way that we can eliminate, if you will, as much pain as can be for those individual families and students. But I couldn't begin to give you a number based on what we don't know. [AGENCY 51]

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SENATOR BOLZ: Okay. Well, let me ask you a similar question but something slightly different. Based on your experience and knowledge, can you tell me anything about how raises in tuition connect to completion rates? I know that completion rates are one of your priorities in your benchmarks here. So do you have information about how a 2 percent, 3 percent, 4 percent, how tuition correlates with completion rates? [AGENCY 51]

BOB WHITEHOUSE: I don't know that there's a direct answer for that. But I will say that every year it seems that there's a growing number of students probably on all of our campuses, but in particular more of UNK and UNO, that students actually become almost close to part-time students because of the amount of time that they have to work. And that probably has a correlation not only of when do they graduate but if they graduate. So we're well aware that as tuitions increase the opportunity for those students is diminished by the number of hours that they're going to have to work to help offset that tuition. [AGENCY 51]

SENATOR BOLZ: Okay. Thank you. [AGENCY 51]

BOB WHITEHOUSE: Uh-huh. [AGENCY 51]

SENATOR STINNER: Any other questions? Senator Kuehn. [AGENCY 51]

SENATOR KUEHN: Thank you, Mr. Chairman. Thank you, Chairman Whitehouse. Appreciate you coming before us today. And certainly, as we all hope to reinforce the great work that's being done at the University of Nebraska, Senator Bolz talked to you a little bit about tuition, let's look a little bit on the flip side of the coin, and that is associated with expenditures. So at this point you've indicated a \$40 million increase in your required expenses based on salaries and healthcare alone. Given that you're looking at a \$2 billion overall budget for the university, about \$580 million, roughly, of that is General Funds. We're asking all of the state agencies on \$4 billion, roughly, of General Fund expenditures to look at 92-96 percent of their appropriations. Is it your assertion that the university, with \$2 billion, doesn't have any other opportunities on the spending side of the equation to address that \$40 million increase in salaries and healthcare, or you're as lean as you can get? [AGENCY 51]

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BOB WHITEHOUSE: Well, that's a question I think everybody wants to pose quickly and immediately, including ourselves. And I will say that the president has established a very...I think a very adequate response to this in terms of a team that he has put together in anticipation of not only your question but all of us looking at where can we go, what can we do. You know, year after year after year, when you just keep cutting and cutting and reallocating, eventually you get down to where are we and what's left? And that's what you have to ask yourself. And I think your question is, okay, what are we going to do? Where can we reduce, basically? Where can we save? And I think that the president will probably address this in some of his remarks. But basically he's put together a response team with working groups and these working groups represent each one of our campuses, all four areas. There's about ten individuals and I will tell you that we are going to take a look at information technology, facilities management, financial operations and accounting, human resources, PR, marketing, communications, procurement, printing, energy, digital education, travel. Everything is on the table. But you also know, and I don't need to tell you all, that in the business that we're in over 80 percent of our budget is people, and we're people and programs. That makes it a little more difficult sometimes. But to answer your question, I think in the next 30 days this is going to play out. There's an overall steering committee that's going to receive information from all this, and that committee then will work with the president. And believe me, if there's something out there that we can do, we're going to be doing it. [AGENCY 51]

SENATOR KUEHN: So does the Board of Regents have a target number in terms of whether that's 100 percent of expenses, a 96 percent of expenses? We've asked all the state agencies to look very clearly and many of them and some of the smaller agencies are 80 percent, greater, salaries also. So you know, as we're asking other vital aspects of government, whether that be services to the vulnerable, whether that be, you know, important programs vital to our agricultural sector, to look at reductions in their spending, do the Regents have a target? Do they have some sort of number that they're looking at or is it simply we're going to see where we can trim and if we can, we can; if we can't, we'll just go to the well and tap Nebraska students for it? [AGENCY 51]

BOB WHITEHOUSE: I don't think that we have a...we don't have a target period. [AGENCY 51]

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SENATOR KUEHN: Okay. [AGENCY 51]

BOB WHITEHOUSE: But we want to work through the process. You know, there's quite a difference in management and governance, and at the level that the Board of Regents are on, as a governance, we have to rely on what the president and the system brings to us. We're ultimately responsible for it. You're absolutely right. We're like you all. We can say no, but we also have to come up with some answers. So I would throw it out and say, no, we don't have a target number now but we're going to be very much involved with it as the process evolves. [AGENCY 51]

SENATOR KUEHN: Thank you. [AGENCY 51]

SENATOR STINNER: I do have some questions. [AGENCY 51]

BOB WHITEHOUSE: Okay. [AGENCY 51]

SENATOR STINNER: When did the Regents start to discuss or become aware that there was a problem with revenue at the state of Nebraska? [AGENCY 51]

BOB WHITEHOUSE: When did we? [AGENCY 51]

SENATOR STINNER: Yeah. [AGENCY 51]

BOB WHITEHOUSE: You mean for this year or are you talking about...? [AGENCY 51]

SENATOR STINNER: In your current budget situation. [AGENCY 51]

BOB WHITEHOUSE: As I recall, it...we've been...the president has been very open with us early on in this stage and it could have been last, gosh, was it November? No, it was earlier than that when we started working with this. [AGENCY 51]

SENATOR STINNER: Okay. I think there... [AGENCY 51]

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BOB WHITEHOUSE: It was last year. [AGENCY 51]

SENATOR STINNER: ...there was a letter sent out in July that we were having revenue problems. [AGENCY 51]

BOB WHITEHOUSE: Uh-huh. [AGENCY 51]

SENATOR STINNER: Did the Regents get together, discuss, hey, if we've got to make some adjustments or changes... [AGENCY 51]

BOB WHITEHOUSE: Yes. [AGENCY 51]

SENATOR STINNER: ...what are we going to do when trying to find... [AGENCY 51]

BOB WHITEHOUSE: The Regents didn't get together. First of all, we can't get together... [AGENCY 51]

SENATOR STINNER: Okay. [AGENCY 51]

BOB WHITEHOUSE: ...without an open... [AGENCY 51]

SENATOR STINNER: I understand. [AGENCY 51]

BOB WHITEHOUSE: ...acknowledgment and having a meeting. But the president has in the past and during that time period made it very clear to the regents that we've got a problem and it's a serious problem. And that's why we started looking at this in the last go-around before we got to right now. We're still, you know, we're still looking at what can we do from before that we thought we had that we're not going to have. [AGENCY 51]

SENATOR STINNER: Okay. So you've put together a fairly elaborate steering committee... [AGENCY 51]

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BOB WHITEHOUSE: Yes. [AGENCY 51]

SENATOR STINNER: ...that's going to look at all the moving parts. [AGENCY 51]

BOB WHITEHOUSE: The president, yes. Yes. [AGENCY 51]

SENATOR STINNER: And I get that because usually when you're in this situation there's a pause, you have to reevaluate, recalculate, reengineer, whatever. [AGENCY 51]

BOB WHITEHOUSE: Right. [AGENCY 51]

SENATOR STINNER: Is there a time line on some kind of results that we could look at?
[AGENCY 51]

BOB WHITEHOUSE: I don't know about you looking at but we are going to be receiving the work that these committees have been doing for the last, I'm going to say, two to three months. Is that about right? I think it is. And then they will be coming before the steering committee, one chairman, vice chairman at a time, with their results, synthesizing, if you will, for us what is next or what we can look at. All of that will be absorbed with, as I understand it, all of that will be absorbed by this steering committee. Then we will move forward recommendations based on what we found to the president. You see the president is ultimately responsible for, yes, no, cut here, there. That's it. And then we will have to approve a budget. We'll have to approve tuition. But that comes pretty much after we know exactly how much we're going to be afforded from the state. [AGENCY 51]

SENATOR STINNER: Let me ask you something maybe just a little bit different. You're aware that there at the Kearney campus and at UNO we have a negotiated...we have a union contract we negotiate,... [AGENCY 51]

BOB WHITEHOUSE: Correct. [AGENCY 51]

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SENATOR STINNER: ...where you don't have that at UNMC and you don't have that at UNL.
[AGENCY 51]

BOB WHITEHOUSE: Right. [AGENCY 51]

SENATOR STINNER: Did you ever look at some kind of differences? I know the 1.75 (percent) was passed. Did you look at maybe freezing or 1 percent, .05 percent,... [AGENCY 51]

BOB WHITEHOUSE: You mean in regard to? Well, yeah. [AGENCY 51]

SENATOR STINNER: ...as it relates to wage increases? [AGENCY 51]

BOB WHITEHOUSE: You know, my history on the board goes back obviously ten years and I can only indicate to you that those campus areas that have unionized, so to speak, and that's really what it is, that we have always...we have always negotiated in good faith. And that good faith, usually back and forth negotiation, a little give-and-take. We all work that way. Having said that, we end up with a figure and then UNL and UNMC, it's really the job of the Central Administration, if you will, to work with the chancellors then to come up with a figure. But we're pretty close. Yeah, we haven't just absolutely said, okay, we got to have a 4 percent increase over here at UNK and UNO and we don't have quite that much so we're going to take it from these two camps. That's not really how that works. [AGENCY 51]

SENATOR STINNER: Okay. [AGENCY 51]

BOB WHITEHOUSE: But we do try to keep them fairly aligned. [AGENCY 51]

SENATOR STINNER: Okay. And that's more for competitive reasons or is that more for just keeping peace in the family or (inaudible)? [AGENCY 51]

BOB WHITEHOUSE: Well, yeah. No, I think both. We're still below. Our campuses are still below our peer averages quite a bit for our salaries, if that's what you're looking at. [AGENCY 51]

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SENATOR STINNER: So peer averages are the driver, but mostly with the union, right?
[AGENCY 51]

BOB WHITEHOUSE: Well, yeah, but we have to be cognizant of that with UNMC and UNL just as well. You know, it's like anything. It's a supply and demand and if you're not providing those salaries and benefits for your good people, this guy is going to go over here to a little better place and a better opportunity. That's all. It's keeping best and brightest but not at the extent of raising something beyond what we can afford. [AGENCY 51]

SENATOR STINNER: Okay. As chairman, though, of the Regents,... [AGENCY 51]

BOB WHITEHOUSE: Uh-huh. [AGENCY 51]

SENATOR STINNER: ...you have not set a definitive time line for steering committee getting back, trying to evaluate. [AGENCY 51]

BOB WHITEHOUSE: Yes, I have. Yes, there have been some dates when these committees that I just told you about, those ten,... [AGENCY 51]

SENATOR STINNER: Okay. [AGENCY 51]

BOB WHITEHOUSE: ...they are already set for the next couple of weeks, I believe, in that they're going to be meeting with the steering committee, yes. [AGENCY 51]

SENATOR STINNER: Okay. [AGENCY 51]

BOB WHITEHOUSE: I mean this is all part of the process. [AGENCY 51]

SENATOR STINNER: That's what I'm trying to get at, is just to figure out what's... [AGENCY 51]

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BOB WHITEHOUSE: And, you know, this process started way back when. We're not just opening the door today. Yes. Thank you. [AGENCY 51]

SENATOR STINNER: Okay. Thank you. [AGENCY 51]

BOB WHITEHOUSE: Okay. Whoops. [AGENCY 51]

SENATOR STINNER: Senator Bolz. [AGENCY 51]

SENATOR BOLZ: Just one more follow-up. [AGENCY 51]

BOB WHITEHOUSE: Yes. [AGENCY 51]

SENATOR BOLZ: I think it's worth talking about just briefly that this isn't the first budget conversation that we've had. We, of course, had to make some tough decisions through the deficit budget process. The university, I think, took a 2.3 percent reduction, which was about \$13 million. Can you just talk to me a little bit about some of those impacts, how you made those choices, how what we've done through the deficit budget is having an impact on the system. [AGENCY 51]

BOB WHITEHOUSE: Well, I can say that I think in the ten years that I've been on the board I know that UNL in particular has reallocated funds and monies every year. They just...it's just the way it seems to work. Now if you're asking me what has been cut or where is the priority, I have a list that UNL...well, in fact, UNO, UNK, all of them several times over the years have had to roll back and say, this is where we're going. And the list is extensive. I mean I...let's just look at UNL. You're asking for probably a specific then? [AGENCY 51]

SENATOR BOLZ: I am specifically asking about the impact of the \$13 million decrease,... [AGENCY 51]

BOB WHITEHOUSE: Oh. [AGENCY 51]

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SENATOR BOLZ: ...the 2.3 percent reduction in the deficit budget. I guess I'm less interested in an historical perspective. [AGENCY 51]

BOB WHITEHOUSE: Okay. [AGENCY 51]

SENATOR BOLZ: I'm more interested in the specific impact of our previous deficit decision. [AGENCY 51]

BOB WHITEHOUSE: Yeah. Let me just say that I know the president is going to address that and I think your question will be answered. But if not, I'll be here to try to come back to it. [AGENCY 51]

SENATOR BOLZ: Okay. [AGENCY 51]

BOB WHITEHOUSE: Okay? [AGENCY 51]

SENATOR STINNER: Any further questions? Thank you very much. [AGENCY 51]

BOB WHITEHOUSE: You bet. Thank you. [AGENCY 51]

SENATOR STINNER: Hey, Jen, you don't have to time him either. We'll give you as much time as you need. [AGENCY 51]

HANK BOUNDS: (Exhibit 2) Ready? Well, good afternoon, everyone. My name is Hank Bounds, H-a-n-k B-o-u-n-d-s. I have the privilege to be able to serve as president of the University of Nebraska. And I'm certainly grateful for the opportunity to come before you once again and talk about the university and the challenges that we face. Mr. Chairman, to you and members of the committee, I want you to know that we recognize how many competing priorities and difficult decisions that you have, and please know that we appreciate the extra time that you've been willing to spend with us. Hope you'll see us as a partner, as a resource as we try to...as you try to navigate these difficult times. You have before you my testimony. I won't read it to you. I want to make a few points and then I'll be happy to at least attempt to answer any

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questions that any of you may have. I want to point out that we don't take this process lightly. We are passionate about education, about Nebraska, and about the many students and families that we serve. We're also equally passionate about Nebraska's future. We know that you're going to be tugged many directions and so I appreciate the time that you've given me. I've spent time in the previous opportunities I've had to testify, walking through economic development, work force development, return on investment numbers. And so I won't walk through all those, other than to repeat the chairman's note that for almost 150 years we've been working hard on growing our state, expanding access for young people, driving economic development. In my view all the metrics are headed in the right direction. We have record enrollment. We have research growth. We have an amazing impact on Nebraska's economy. We're addressing the most pressing issues of the day, the needs of our state and nation, whether it's cancer, healthcare, water and food security. We have unbelievable private support. We stood up institutes that are important to Nebraska and the future of our nation. We've had a great long-term partnership with the Legislature. In fact, one of the reasons that I chose to come here is because the way that the university is organized, the fact that there's been such amazing support by the state, there's been huge philanthropic support. It's really unlike many places or any place in the country. So we are trying to be proactive. We're trying to be thoughtful in our plan for cuts. I've shared with you before that we've stood up a budget response team. I think we've probably done more than any other entity in terms of being proactive, bringing every stakeholder to the table, thinking through how to make these cuts in a way that will ensure our effectiveness going forward. I'll tell you it's too early for me to speculate on cuts. But I think the best predictor of future performance is past performance and so if we look at our history and look at...we think...I think that can be a guide. Fifteen years ago, when we faced these kinds of cuts, we closed programs, we cut services, we reduced our statewide presence, and we implemented double-digit tuition increases that drove enrollment down. Chancellor Gold and I...and the chancellors, all the chancellors are here with me--Chancellor Gold, Chancellor Kristensen at UNK, Chancellor Christensen at UNO, Chancellor Green from UNL--they've joined and I'm sure can help answer questions that I may not be able to specifically respond to. So Chancellor Gold and I have lived in other states where these cuts have been recently put in place and I can tell you that it's altered those places. Make no mistake that we will experience pain this time. We will lose real people with real lives, real livelihoods that are going to be impacted. University services will be altered and we are going to have to raise tuition. I'm here to ask you for your help. I think we're doing our part. We're taking

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cuts seriously. We're looking under every rock. We're doing everything we can to protect affordability and our academic programs. Under whether it's the Governor's recommendation or your preliminary budget, we'll need to cut more than...or we'll need to close a budget gap more than 50 percent. The only way to solve that is through significant cuts that will change the institution. I'm concerned that that sends the wrong message to talent that we are trying to attract and to the private donors who have invested so much because they believe in what we're doing. We will have double-digit tuition increases at the current position, not...that will increase for students and families, that will limit our accessibility at the exact time that we know that our work force needs more college graduates, not fewer. And we certainly don't want to put an additional burden on Nebraska's families. So specifically what I'm asking you to consider, the chairman spelled this out already, but at your current position we'd have to close a gap of \$56 million. I'm asking you to add \$7 million to that number, which would be flat-funding us in '18 and '19, back to our '17 base, and I'm asking you to add \$3 million to meet the needs of iExcel that were approved in the last biennial budget. Look, at the end of the day, whatever number that you give us is the number we're going to go with. I'm here to ask you to help us in a way that won't arrest our progress. We're making enormous progress. We can only grow our way out of this place that we find ourselves in. We cannot cut our way to prosperity. We will do our part. At flat funding, we have to close a budget gap of \$46 million as opposed to \$56 million, so clearly we are willing to do our part. So \$56 (million) to \$46 (million), we think we're doing our fair share. We think we can be your greatest asset in growing Nebraska out of this downturn. We want to build a stronger Nebraska with an education system that prepares our students to compete globally. I'm asking you to help me keep tuition rates at a better place. Senator Kuehn, to your point earlier, we'll go to cuts first, not tuition first. That's the process. We will understand the dollars that you're able to provide to us and then we'll back into this with really understanding how deeply we can cut the institution without impacting the quality of our programs. And then our last step will be to figure out what the tuition has to be to close the final gap. So with that, let me also say thanks to the committee for your recommendation to spend revenue bond surplus funds on Cather-Pound at UNL and University Village at UNO. And I would be delighted to at least attempt to answer any questions that members may have.

[AGENCY 51]

SENATOR STINNER: Okay. Thank you. Questions? Senator Wishart. [AGENCY 51]

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SENATOR WISHART: Well, thank you, President Bounds, for being here today. So I just want to make sure I'm correct for the record. If the preliminary budget recommendation stays and there's \$56 million in cuts, am I correct in hearing that you said there would be double-digit tuition increases likely? [AGENCY 51]

HANK BOUNDS: That's correct. [AGENCY 51]

SENATOR WISHART: Do you have a...what are you thinking in terms of percentage of tuition increase? [AGENCY 51]

HANK BOUNDS: It really depends on how fast we can make cuts. [AGENCY 51]

SENATOR WISHART: Okay. [AGENCY 51]

HANK BOUNDS: So \$56 million, if we...you know, if we assume that we did, you know, the percentages are pretty...fairly easy to calculate: \$1.6 million for a resident student is 1 percent; \$1.1 million is 1 percent for nonresident students. There's a point where if we go too much on tuition, we start having declining enrollment so we have a net...you know the net looks different. It's hard to really gauge what that number is, what that percent is. I would be...for me to stand here today and give you an exact percentage of what it would be, would be a little premature. [AGENCY 51]

SENATOR WISHART: Okay. [AGENCY 51]

HANK BOUNDS: All I can tell you is we are committed to doing everything that we can to keep tuition below double digits. [AGENCY 51]

SENATOR WISHART: And then if we were to change the preliminary recommendation and go with flat funding, as you had described, you'd be anticipating a \$46 million cut. Is there a tuition increase in that? [AGENCY 51]

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HANK BOUNDS: We believe that at flat funding that we will be able to make enough cuts that we can keep tuition less than double digits over the biennium. [AGENCY 51]

SENATOR WISHART: Okay. And what would a 4 percent tuition increase look like in terms of dollars for a student? [AGENCY 51]

HANK BOUNDS: So it's different based on the campus. Let me give you some quick numbers. So in-state tuition ranges between about \$8,400 at UNL to about \$6,700 at UNK. [AGENCY 51]

SENATOR WISHART: And that's annually you said or...? [AGENCY 51]

HANK BOUNDS: That's correct. [AGENCY 51]

SENATOR WISHART: Okay. [AGENCY 51]

HANK BOUNDS: The nonresident, the out-of-state tuition ranges between \$22,500 and \$13,000. [AGENCY 51]

SENATOR WISHART: Okay. [AGENCY 51]

SENATOR STINNER: You're still asking? [AGENCY 51]

SENATOR WISHART: I can take a break and let someone else. [AGENCY 51]

SENATOR STINNER: That's fine. Senator Kuehn. [AGENCY 51]

SENATOR KUEHN: Thank you, Mr. Chairman. Thank you, Dr. Bounds. Again, appreciate all the work that you're doing and the great things that are happening at the University of Nebraska. I do want to walk through some of the math here because there's a lot of numbers flying around and they don't always seem to add up, so I want to make sure that we're clear. [AGENCY 51]

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HANK BOUNDS: Sure. [AGENCY 51]

SENATOR KUEHN: First of all, you've indicated there's a \$56 million budget gap that you would have to address, but if we restored you to current level, flat funding plus \$3 million to iExcel, which would be \$17 million over the biennium, that number changes from \$56 (million) to \$46 (million). So tell me how we add and give you an additional 17 million and your budget gap only closes by \$10 (million). [AGENCY 51]

HANK BOUNDS: I'm not sure how you're giving us \$17 (million). We're getting...we would get \$7 million each year, so you can't compound two... [AGENCY 51]

SENATOR KUEHN: Well, they're additive, so we're giving you...so if we give you \$7 million in one fiscal year and \$7 million in the next fiscal year, that's a total of \$14 million. If we give you an additional \$3 million for iExcel, that's \$17 million of additional appropriations out of the state General Fund for the biennium. So if your biennial gap is \$56 million and we restore you to current levels plus the \$3 million for iExcel, are we at \$46 million or are we at a \$39 million budget gap? [AGENCY 51]

HANK BOUNDS: No, so it's base budgeting. So you are, in your recommendation just for, let's say it's \$7 million less in each year. So in '18 your recommendation is \$7 million less than \$17 appropriated. It's \$7 million in...less than in '19, less than '17. We're not getting \$14 million in the second year. We're getting \$7 million in one year and the same \$7 million in the next year. It's not additive. [AGENCY 51]

SENATOR STINNER: I can do... [AGENCY 51]

SENATOR KUEHN: Yeah, I guess I think you're looking differently at what we were looking at in terms of the preliminary. So in the preliminary we gave you a set number, which would have been \$576,000 or \$576 million, excuse me, forgot, three orders of magnitude there. [AGENCY 51]

HANK BOUNDS: And our...in '17 was \$583. [AGENCY 51]

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SENATOR KUEHN: And second year at \$583. So... [AGENCY 51]

HANK BOUNDS: No, no, both years the same. [AGENCY 51]

SENATOR KUEHN: Oh, right. Right. It's \$576. So you're, instead of holding you flat at a \$583 base, we're taking you just withholding a flat \$7 million. So I guess again I'm not sure where \$7 million, \$7 million, and \$3 million comes up to \$10 million. So that's just one question that we're obviously going to have to circle around after the hearing. So in terms of tuition increases, Senator Wishart, the 4 percent number is thrown around. I think that comes from some information you had provided us at one point which had showed that kind of 4 percent was your breaking point at which you don't anticipate reductions in enrollment. Kind of above that, we start to see some enrollment declines. Is that an accurate represent...? I see some of your chancellors shaking their heads behind you, so. [AGENCY 51]

HANK BOUNDS: Yeah, I think we're probably in good shape up to about 7 percent. [AGENCY 51]

SENATOR KUEHN: Okay. So let's just run that 4 percent number, because I think it's helpful. So if that represents roughly \$2.7 million of additional revenue, a 4 percent tuition increase, just knowing that it varies from campus to campus, across the board is going to represent roughly \$11 million in additional revenue. Is that a fair number? [AGENCY 51]

HANK BOUNDS: I've got the exact calculation. A 4 percent would be 5...in the first year would be \$6.5 million for resident and \$4.5 million for nonresident,... [AGENCY 51]

SENATOR KUEHN: Okay. [AGENCY 51]

HANK BOUNDS: ...so \$11 (million). [AGENCY 51]

SENATOR KUEHN: So \$11 million in revenue. So if you do a 4 percent tuition increase each year, so you generate \$11 million of additional revenue in the first year, second year you have that 4 percent increase, you add a second 4 percent, so you're getting another \$22 million in

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revenue the second year. A 4 percent tuition increase already generates \$33 million of additional revenue towards your \$46 (million), \$56 (million). [AGENCY 51]

HANK BOUNDS: No, that's not correct, \$22 million. [AGENCY 51]

SENATOR KUEHN: So you're saying that the revenue increase doesn't affect the second year. I mean I guess this is adding to the base in this kind of second year is where we seem to have a number of discrepancies in terms of the number. So if you raise or increase your tuition by \$11 million in the first year, and you increase another 4 percent on the second year, how is that only \$22 million in revenue? [AGENCY 51]

HANK BOUNDS: Okay. So this...I don't mean to be...here's the easiest way that I...think of it this way. If I had \$1 and I could buy one Coke in the first year, right? So I'd have \$1, I could buy one Coke. That dollar goes with me, right? [AGENCY 51]

SENATOR KUEHN: Uh-huh. [AGENCY 51]

HANK BOUNDS: And I've got...I pick up another \$1. I don't pick up...I don't get \$3 there. I have \$2 so I can buy... [AGENCY 51]

SENATOR KUEHN: But compared to the year before you had \$1 you do. So if you have zero, we give you \$1. The next year you're getting \$2. That's \$3 over the biennium. [AGENCY 51]

HANK BOUNDS: Yeah, but I also have those expenses that year. So you're asking me to not spend anything and save them all for the second year. [AGENCY 51]

SENATOR KUEHN: Okay. So you're \$56 million increase does not include any adjustments in spending first year of the biennium over the second year of the biennium. [AGENCY 51]

HANK BOUNDS: No. So...but it doesn't make it additive. And so if I have \$6 million the first year...or if I have \$1 in the first year in new compensation cost and I have \$1 of new compensation cost in the second year, I have \$2 in the second year, not \$3 in the second year. It's

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not additive. It's base budgeting. So I'm treating them the same exact way. So when you think about...when you think about the \$55 million in recurring cuts, you have to think about that the same way in recurring revenue. Does that make sense? [AGENCY 51]

SENATOR KUEHN: Okay. All right. So when we start talking then about double-digit tuition increases, what kind of revenue are you predicting from a 10 percent tuition increase when you use that term "double-digit." [AGENCY 51]

HANK BOUNDS: So I don't have a 10 percent run. [AGENCY 51]

SENATOR KUEHN: Okay. [AGENCY 51]

HANK BOUNDS: I've got...I just happen to have 7 percent here. So a 7 percent increase would equal, in the second year of the biennium, \$20 (million) in resident, \$14 (million) in nonresident, for \$34 million. That's assuming...that's assuming that we don't have a decline in enrollment. [AGENCY 51]

SENATOR KUEHN: So... [AGENCY 51]

HANK BOUNDS: And then...go ahead. I'm sorry. [AGENCY 51]

SENATOR KUEHN: So again we're talking \$34 million towards a \$46 million, \$56 million issue at 7 percent. I'm still trying to get to where the double-digit number is coming in because if you're...if you're... [AGENCY 51]

HANK BOUNDS: Seven percent each year. [AGENCY 51]

SENATOR KUEHN: Okay. So you're looking at cumulative. You're not talking about annualized double-digit increases. [AGENCY 51]

HANK BOUNDS: That's correct. [AGENCY 51]

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SENATOR KUEHN: You're looking at cumulative. Okay, that's helpful in terms of helping to understand some of that rhetoric as we're making our decisions. I know Senator Bolz has some questions, so I'll defer back to the Chair and we'll come back around as we need to. [AGENCY 51]

SENATOR STINNER: Senator Bolz. [AGENCY 51]

SENATOR BOLZ: Just a couple questions, President Bounds. To switch gears from the tuition question, it's not just about your revenue in any given year. It's about the stability of your financial status. And we'll be looking at our Cash Reserves and so I know there's been some scrutiny of your cash reserves as well. Can you just help me understand the university's cash position, especially as it relates to your peers? [AGENCY 51]

HANK BOUNDS: Sure. So I know that the committee gets information about our bank balances and you get that...so you get a snapshot every year. I'm going to give you...when I talk about cash I want to talk about it in two ways. The first one would be bank balance at the end of June, which is when you get the information. Most of you or all of you here have some business background and so you recognize that you don't want to look at that bank balance, just like you don't want to look at your checking account balance at one time of the month. So I want to understand from a, you know, managing the finances of the university, I want to understand the picture of when is the high point, where's the low point, and I particularly want to understand what the low point for us is. And so when I look at bank balances and I look at the low point, the thing...which is December or January typically, depending on the campus. It's a little different at the Med Center than it is the undergraduate campuses. We range...we get down into a place on days of cash on hand that is bothersome, so a range of about 10 days to about 60 days, or about 30 days on average across the university. That is not the healthiest place to be. So that's one piece that is concerning. The second thing is days of cash, which is a very different issue than bank balances. You would find this in our audited financial statements and you would...if you had the opportunity to look at what Moody's or S&P has to say about us and compare that to our peers, I think it's really telling about where we are. And so I'm...I've spent a lot of time looking at numbers, trying to understand the data, understand where we're going. One of the primary measures that a rating agency uses to give an entity a snapshot of their fiscal health, so

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they...basically it's a risk assessment, right? So the rating agencies look at us and say how risky are you in terms of if we loan you money what...so what...how will we base interest rates, that kind of thing. So it's a really good measure against your peers. There's so many things that every state does differently, but at the end of the day, you know, when I..when you look at...when you look at how the rating agency does it, they do it the same way across the board. They want to know what are your cash and cash equivalents. That will give you a total number. They're going to back out trustee cash. They're basically getting to your cash expenses. And so...and they'll back out depreciation. And so you're really looking at days of cash by looking at...or the only way that you grow days of cash is to have more revenue than you have expenses over time, right? I mean that's the only way that you can grow it. So when I look at our particular situation and I compare where we are to our peers, so I looked at all the Big Ten institutions and I looked at all of the surrounding states, and what I found is...so I'll just run through it. We're at 161; Illinois, who is in real financial trouble, is at 187; Iowa has 20 more days than us; Colorado has 50-60 days more than us; Minnesota has 20 more days; Missouri has 120 more days; Ohio State has 100 more days; Michigan has 100 more days; Penn State has 200 more days than us; Wyoming has more days than us. So the only state that has less days of cash than us is the state of Kansas. The troubling...the real troubling part is not that we have that few days, because we are not...we are in good financial shape, but we've gone through...we've lost cash position in the last several years and the only other state that looks like that, that looks like us in terms of losing days of cash is Kansas, not Illinois, not Colorado, University of Nebraska and the institutions in Kansas.
[AGENCY 51]

SENATOR BOLZ: And is there...I know one of the things, and there are differences of opinion, but one of the things that I look at from our budgeting perspective as it relates to our Cash Reserve is the National Conference of State Legislatures says 16.5 percent or about two months. Is there a corollary for universities? Is there a best practice or a standard in the industry?
[AGENCY 51]

HANK BOUNDS: So what you want to do is to look at the rating agencies produce a document that says, you know, if you're between X and Y, you should be AAA; you know, between...I mean Senator Stinner knows this. This is all gap. Right? Y and Z you should be between, you know, X number of days. At our current rate we're about 15 to 20 days below where we currently

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are rated. And the thing that makes me a little concerned is we're going to, wherever you land, if it's flat or if it's at your current position, we're going to burn through cash. We're going to lose a number of additional days moving into the cuts because we're just not going to be nimble enough (snaps fingers) to make cuts like that or to raise tuition like that, that quickly. [AGENCY 51]

SENATOR BOLZ: That's helpful. And just one more question. I don't want to take all the question time. But I just want to circle back to the question I asked Chairman Whitehouse. Can you just help me understand some of the impacts of the deficit budget decisions? [AGENCY 51]

HANK BOUNDS: So let me give you if I just looked at state-appropriated dollars. Let me do two things to answer that question. Let me just give the history of what happened last time, and that's the first thing I'll do. And then the second thing I'll do is to give you context for \$56 million. Cuts in academic programs last time reduced faculty positions in the College of Medicine, Dentistry, Public Health, Eppley Institute, Munroe-Meyer, reductions in libraries, reductions in graduate student stipends, eliminated dermatology clinic, eliminated \$1 million from state funding in the School of Allied Health, eliminated \$1 million of state funding for College of Medicine, cuts in services. So those...that's just sort of a snapshot at the Med Center. UNL may be another snapshot. We closed the Grand Island, Lincoln, North Platte learning centers; we closed vet diagnostic labs in North Platte and Scottsbluff; we closed South Central Research and Extension; we eliminated the Council on Economic Education; we eliminated engineering Extension services. We closed multiple programs at UNO and UNK. So if we were just to say if we had...if we were going to deal with this just by reducing state appropriations to programs, and again this is just for context purposes, if we shut down UNK, that's \$40 million. I still have \$16 million. So I could close the College of Law. At UNO I could, College of Education, IS&T, social work, criminology, and I'd still have \$30 million to go. At UNMC, if I closed dentistry, nursing, public health, pharmacy, I still have \$15 million to go. If I just said I'm going to reduce sending state appropriations and solve it that way, obviously, we can't do that because of the consequences and we would lose revenue in other places. But from a context purpose, you know, I can't...we can't solve this by saying we will take empty positions and not fill them. We can't take...we can't deal with this by just trimming here or there. We will...mean so the first phase of what we've done is to look at how we can make adjustments in service areas. And so those service areas are areas that won't impact academics. They won't impact research

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other than it might slow down...may impact effectiveness for some time. But so we are collapsing all IT services. We're going to save dollars there. We're collapsing all facilities management. We are...you know, I'm giving targets on financial operations and accounting and looking at collapsing and refining how we do human resources and payroll. We are totally reworking PR and communications. We're building a single procurement process. Energy, digital education, travel, all of the areas that are outside the academic enterprise, over the next 60 days or so we'll know the number in terms of savings that we'll achieve there, right? And so that will be a slice that we'll take. And then the next slice will be what are the other programs that we should think about consolidating or removing? And that's not...I'm just not at that point in the process to be able to articulate exactly what those programs are. I think we're way ahead of the curve. We started this process back in October building these committees, building targets, but...I mean clearly we are serious about finding every dollar that we can find. Again, but we won't be able to solve this with cuts alone. We'll have to have...part of it will have to be a revenue solution. [AGENCY 51]

SENATOR BOLZ: That's helpful. And just to simplify what I think I'm hearing you say, in terms of the deficit budget, those savings came from vacant positions and services that were sort of the first layer that weren't cutting your core of revenue-generating or mission-focused services. And so if you were to have to look forward to additional cuts, that would be your first bite of the apple is to continue to... [AGENCY 51]

HANK BOUNDS: The first bite is service areas. [AGENCY 51]

SENATOR BOLZ: Services, consolidations, and HR. [AGENCY 51]

HANK BOUNDS: Yes. [AGENCY 51]

SENATOR BOLZ: Okay. Thank you. [AGENCY 51]

SENATOR STINNER: Further questions? Senator Vargas. [AGENCY 51]

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SENATOR VARGAS: Thank you very much. Thank you, President Bounds, for being here.
[AGENCY 51]

HANK BOUNDS: Sure. [AGENCY 51]

SENATOR VARGAS: I just wanted to...this is along the same lines as the cash conversation when you talked about the number of days on hand we have cash. Can you talk to me about historically in the past five years how...when we...when you have utilized your cash reserves for larger, you know, larger expenses and what were the reasons or rationale behind that? [AGENCY 51]

HANK BOUNDS: I'm having a hard time coming up with an example of where we would use cash for large expenses. Do you have something...is there something that you're... [AGENCY 51]

SENATOR VARGAS: I'm thinking about scenarios where we've had cuts in 2011 where there was a decrease in appropriations, or in 2002, how cash was historically...cash or Cash Reserves were historically utilized to help offset some of those cuts. [AGENCY 51]

HANK BOUNDS: So typically what you would do is we would not use cash, we would not use cash to offset cuts. [AGENCY 51]

SENATOR VARGAS: Okay. [AGENCY 51]

HANK BOUNDS: Cash is one-time money. When you make cuts, it's recurring things that you have to cut. We would use cash to cash flow into our cuts. And we'll have to do that this time, which is why I'm saying that we will lose days of cash. The thing that is worrisome is when you look at our short periods, the amount of cash available that's unencumbered gets to be...we move that to a very slim margin. [AGENCY 51]

SENATOR VARGAS: Okay. And in terms of I just...the tuition. I know you talked about competitiveness and enrollment being a factor that's utilized here. For a 7 percent or let's even

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consider a 10 percent tuition increase, I'm trying to understand the numbers. You said about \$8,600 for UNL for tuition. Correct? [AGENCY 51]

HANK BOUNDS: Correct. [AGENCY 51]

SENATOR VARGAS: So if we did the 10 percent increase, how would that impact our competitiveness with other Big Ten schools? [AGENCY 51]

HANK BOUNDS: So I'm not worried about competitiveness with other Big Ten schools. [AGENCY 51]

SENATOR VARGAS: Okay. [AGENCY 51]

HANK BOUNDS: We will still be far below our Big Ten competitors. What I'm concerned about is how that impacts Nebraskans. Because when you look at what happened the last time that this happened, we lost 1,800 students and it took five or six years to get those students back. And so to the chairman's point earlier, particularly if you look at UNO and UNK, you have lots of first-generation college students at UNO, you have lots of nontraditional students and so maybe they work a semester and then they go to school for a semester, or they're working full time and they're going to school part time. So that's the concern that I have when you look at the number of students that those campuses, and even UNL for that matter, has on Pell and you look at the fact that we don't...we're 42 or 43 in the country when it comes to providing need-based aid. So here's what happens in other states. So we have...I'll just, because of my inability to explain it any other way, our tuitions here at UNL or pick the campus, right, our tuition is here and our competitor's tuition is here. So when you think about Big Ten, most of them, their enrollments are capped; we're open enrollment. Many of those places they're birth to age 20 population is growing and some places dramatically growing; we are not. And so when you look at our students' ability to pay, these universities over here can ask a price and get it. We have a price here and then we're remitting a good percentage of that because we don't have state needs-based aid to back into the difference, and so the campuses have to eat that loss. So we go from here to here now because this state can't afford to not produce more individuals. So it's just like...so another way to think about it is to think about nursing. Nursing is...every nursing program loses

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money and it would be cheaper for us to not have outstate nursing programs. But we do, though. We have those nursing programs because there is a dramatic need. And we treat tuition the same way. So there is a need for more Nebraskans to get more education so we can attract more and better jobs to the state. To not do that would be skirting our responsibility as a university, just like not placing nursing programs in places that have a dire shortage of nurses. So we are doing things that...and losing money, knowing we're losing money, but it's the right thing to do for the state of Nebraska. [AGENCY 51]

SENATOR VARGAS: And thank you very much for that. The budget response teams, I know this is a question necessarily I'm just trying to clarify. When you're asking these teams to come together with a set of recommendations, is there specific guidance on maybe if it's not the end result goal that you're looking for them to identify specific target areas with...in the same way that we approach the budget readjustment process? Are there some...what are goal setting like that you've communicated out to these budget response teams? [AGENCY 51]

HANK BOUNDS: Sure. So, number one, very few rules. [AGENCY 51]

SENATOR VARGAS: Okay. [AGENCY 51]

HANK BOUNDS: Rule number one is no across the board because I think it just weakens every part of the organization when we do that. And the second part is there are no rules. So consolidate, privatize, be innovative, but then we're giving them...so then we are...then we have a relative spend in each category and so we are giving them a relative target to that. So a target that we want them to meet but we also know that in some cases the targets will be disruptive. So I'm asking them to meet a specific target, which is why I have...so in these ten committees, they're all populated by content experts. So when you think about it we're asking, for PR, for example, I'm asking the PR content experts to bring me a plan that they know will cause their colleagues to lose their jobs. They know that they're cutting. I mean that is a tough task to ask these individuals to do. And then that group takes a series of recommendations to this overall steering committee that's comprised by the chair of the board, the four student regents selected a member from among themselves, the faculty senate chairs selected a member from among themselves, the staff senate. We brought in some...a couple people from the business community who've gone through

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similar cuts to bring an outside perspective. So we really try to cover all of our bases, so to speak, to drive out as many cost and service areas before we have to move to academic programming. [AGENCY 51]

SENATOR VARGAS: Thank you. Just a last question: This is just in terms of the number of frozen positions that you...how many frozen positions are there right now that we're holding on? [AGENCY 51]

HANK BOUNDS: Positions, I can't tell you the number that we have. The amount that we've frozen is about \$12.7 million. So that would be...I can count them up for you, about 320 FTEs. [AGENCY 51]

SENATOR VARGAS: Thank you very much. [AGENCY 51]

HANK BOUNDS: I can give you more exact data. But remember, this is a one...this was intended to be a one-time cut. We're freezing these. I can't stop hiring cancer researchers. Now John Christensen, my friend, John, is retiring. I can't hold that position open. We're going to have to hire a new chancellor. We're going to have to hire people in maintenance. We're going to...we can't hold these positions open forever. And so it helped us to deal with a one-time midyear budget rescission, but its really starting over. It's really we're starting the process over for the next biennium. [AGENCY 51]

SENATOR VARGAS: And I appreciate that. I ask, you know, because I think this is a very difficult year and we've been having conversations with every agency... [AGENCY 51]

HANK BOUNDS: Sure. [AGENCY 51]

SENATOR VARGAS: ...about what do freezing positions potentially look like. Some people even offer that themselves. I just wanted to get a better sense of how many numbers, you know, what is that equal to and, you know, what's the potential impact of that. [AGENCY 51]

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HANK BOUNDS: Sure. And we've had a pretty...we've had a fairly robust process there. So the campuses have their process that they put in place, that they take to the chancellor. The chancellor then sends me a recommendation. I approve it, approve each position or deny the position or somewhere in between, because what I'm trying to do is to find out, you know, are there things that we have the same position that's been frozen in multiple places and can we hire one person on one campus to do that kind of work across the university? And so there's been this phasing up. It's taken a little time. It's been a little more bureaucratic than I want it to be, but I really try to look at this with, you know, a view on long term. [AGENCY 51]

SENATOR VARGAS: Thank you very much, President Bounds. [AGENCY 51]

SENATOR STINNER: Senator Watermeier. [AGENCY 51]

SENATOR WATERMEIER: Thank you, Chairman Stinner. Dr. Bounds, appreciate you being here today. I'm going to take a little bit of a different approach and not get down in the weeds on percentages and dollar amounts, and just maybe what the average effect to the citizen of Nebraska would be. Because the average guy in Nebraska may not even remember this is a land-grant institution. That means something totally different to me than it does to most people. And even Chairman Whitehouse had mentioned economic development, work force development. Those are guidelines, you know, and the average guy doesn't understand that, I don't think, or really appreciates what that means? What does that mean when we start talking about the situation we're in today? I heard you say potential cuts and tuition and what that means. Then you alluded to the fact of programming and where that will be. Where does that take us with the role of the university and what it means for those guidelines? What does it mean to the average citizen? I mean what can I talk to, because here's where I'm headed with this. You understand state college is in my district, right? [AGENCY 51]

HANK BOUNDS: I do. [AGENCY 51]

SENATOR WATERMEIER: They've cut very differently than the way you get cut, but they're not a land-grant institution. Community colleges are huge in work force development but they have property taxes to rely on. The university is in a much different situation. So what does this

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put you in a position like this for? Where does it work internally for you and what is it going to mean to me? [AGENCY 51]

HANK BOUNDS: I guess that's a really big question and hard to answer, I mean... [AGENCY 51]

SENATOR WATERMEIER: But without getting into the weeds in dollar amounts, when you start prioritizing, what does that mean in your privatization? What does that mean for the Board of Regents? What is it going to affect? Tell me if you can. [AGENCY 51]

HANK BOUNDS: The first thing, so it's going to impact students, working families in Nebraska. You'll hear from our student regent in a bit about how that's going to impact students. [AGENCY 51]

SENATOR WATERMEIER: I think I get that part of it. But if you were to look at the role of the university, where we've got the academic side we've talked about over here and it's a certain percentage of your budget. But we have this unknown side about economic development, research, all the things that land grants talk about, and that's the part that I'm...very difficult I'm sure to put a number on when you start talking about cuts because the tuition doesn't have a lot to do with that, if I'm understanding that correctly. [AGENCY 51]

HANK BOUNDS: So tuition doesn't have... [AGENCY 51]

SENATOR WATERMEIER: Right. [AGENCY 51]

HANK BOUNDS: ...have a lot to do with that. [AGENCY 51]

SENATOR WATERMEIER: And so how are you going to absorb these cuts internally to this other guideline of what you are mandated to do? [AGENCY 51]

HANK BOUNDS: So part of it will be based on how big the cut is, you know? So you would be, in your...if I looked at your civilian job, I happen to know what you do on a full-time basis. You

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do the same thing that lots of Nebraskans do and that's that they are farmers or ranchers. I think we do an enormous amount of work across the 500-mile campus to focus on productivity. So just...so let's take Extension, right? I get lots of questions about Extension. As a state, you spend about \$30 million. I think we're very unique as a state when it comes to Extension because most Extension doesn't bring in external grants. And so for every dollar that you give us, we bring in a dollar in external grants and we get about \$9 million from county government, then we get \$3.5 million from the federal government. So if we start thinking about cutting there, we have to think about how that's going to impact our partners. And does a dollar cut to the state-appropriated part equal a dollar, less than a dollar, or some other dollar? So do I lose \$2 or \$2 and, sorry, you know, somewhere north of \$1? And then when you understand that this state looks so different than almost every other state, so lots of states have really made very deep cuts to Extension. I think that would be an enormous mistake for us. We have seven agroecological zones and when you look across those zones, the crops that are produced are different, the irrigation systems are different, the soil types are different. The herbicides, you know, how those work in sandy soil versus some other type of soil, all of those things are different. And we set up an Extension Service and a research enterprise to recognize all those differences. So clearly, that has an impact. We'll be careful, even though we know that nursing costs us money, can you imagine if we don't have Scottsbluff or Kearney or other places producing nurses, how that would impact. Most Nebraskans...you know, you just...you got to the hospital, you go to UNMC and you don't see that if we can have the 4,000 nurse shortage that we currently have, you don't think about it because you see a nurse. But even at Nebraska Medicine, if we didn't have to pay overtime, it would mean tens of millions of dollars to our bottom line. And so we are impacted away by the...so we're going to do everything that we can to make certain that we protect the academic integrity of the institution and then protect the services that we provide. Frankly, it's not in our best interest to do those things. It is not in our best interest to have such a robust Extension Service. It's not in our best interest to do nursing the way that we do it. It's not in our interest to have programs that exist on multiple campuses, but it's absolutely in the best interest of the future of the state. And so we try to make decisions, and not just look inward but to look out to the state, in terms of what is in the best interest of the future of the state of Nebraska. And having gone through this before, having had dozens of conversations with my colleagues around the country that have gone through this, the states that have weathered economic downturn the most are the places where the state has said, where should we put our dollars so that on the other

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side of this the entity that has the best opportunity to grow the economy is strong, alive, and well? And in my view that's the University of Nebraska. We are...we...so I could go through a litany of the jobs that we have created. So if you look, I'll just pick on the Med Center again. If you just look at University of Nebraska Medical Center and look at the initiatives that they have stood up over the past several years. Almost 7,200 direct and indirect jobs have been created. There is no better economic development engine. There's nobody creating the job opportunities that the university is. And I'll go back to my original statement. You got to balance the cuts and the growth. We will only grow ourselves out of the situation that we find ourselves in. So I don't know if I...I don't know if I specifically answered it, but it's... [AGENCY 51]

SENATOR WATERMEIER: Well, I'm all about economic development as well, you know. And I got to sell this to the state of Nebraska at the same time, you know? So I appreciate your comments. And I do agree in some way that we are going to grow ourselves out of this, but we're stuck with a tough decision today, no doubt about it. Thank you. [AGENCY 51]

HANK BOUNDS: Sure. [AGENCY 51]

SENATOR STINNER: I do want to ask a few questions, if that's okay? First, I want to start with the area of wages and I want to kind of update my budget book a little bit. [AGENCY 51]

HANK BOUNDS: Okay. [AGENCY 51]

SENATOR STINNER: The 1.75 I understand is across-the-board increases for UNL, UNO, UNK, and UNMC. [AGENCY 51]

HANK BOUNDS: That is baked into our model, yes, sir. [AGENCY 51]

SENATOR STINNER: Okay. That's into your model. And at one time I remember, and this had to do with average of their peers criteria, UNK and UNO were outside of that, needed to have some adjustments. Did that happen or are we still...are we okay with that? [AGENCY 51]

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HANK BOUNDS: So I don't know anything about the adjustment but the state law requires for our bargaining units to be plus or minus 2 percent of our peer average. So that's where we...that's where we have to be. And so we spend a lot of time doing data capture for our peer compensation. So we're looking at, you know, all the various ranks and, you know, we're making comparison by rank and by discipline. But state...that's driven by state law. [AGENCY 51]

SENATOR STINNER: Now give me your rationale for carrying through the 1.75 on a bargaining unit as opposed to a nonbargaining unit, which is UNL and UNMC. [AGENCY 51]

HANK BOUNDS: Well, maybe two or three reasons. One, I don't want to drive them to bargaining by treating bargaining one way and nonbargained another way, because our nonbargaining units are between...so if you looked at UNL, we're 4.5 to 5.5 percent below their peer averages. At UNMC we're 6.5 to 7.5 percent. I'm looking to Dr. Gold. Am I...? [AGENCY 51]

DR. GOLD: About 7-plus, something like that. [AGENCY 51]

HANK BOUNDS: So north of 7 percent below their peer average. And so I don't want to drive them toward the place where the only way that they think they're going to get compensation increases is to move to be bargained. But more importantly to me, we are in the most competitive marketplace, higher ed marketplace for talent, whether it's student, faculty, or staff, of our lifetime. Our peers are at a place, many of them are at a place where they're coming out of the recession and they are investing in higher education. And the way they're doing that is they're buying talent. And so if we want to be competitive, we at least have to stay with the bargaining units. And my guess is, is at 1.75, we're falling behind. [AGENCY 51]

SENATOR STINNER: Yeah. And I did get an update from Kathy. She said UNL is within 96 percent, so...and this is 2016, and 94 for UNMC. So pretty close to that number. And that is faculty salaries. Now does the 1.75 also have to do with academic administrators? Let's see, we've got grad assistant. We have...just a minute. Let me get to the right page and I'll...the other folks in this chart are faculty chairpersons and general administration, academic administrators, managerial/professional office service, and student hourly. All of those got 1.75. [AGENCY 51]

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HANK BOUNDS: That's what we're basing our model on, yes, sir. [AGENCY 51]

SENATOR STINNER: Okay. And the health insurance, by virtue of actuary, went up by...
[AGENCY 51]

HANK BOUNDS: Actuarial analysis. [AGENCY 51]

SENATOR STINNER: ...10 (percent). [AGENCY 51]

HANK BOUNDS: Ten percent. [AGENCY 51]

SENATOR STINNER: Okay, so that reconciles with what I have here. We talk a little bit about momentum, a break in the momentum and those types of things. And I do have your asking and its agency issue from the operations side. You might want to respond to some of these. Under UNMC College of Nursing in Lincoln there is a request in the second half of the biennium for \$417,000 for operations and maintenance costs associated with UNMC's College of Nursing in Lincoln, and the project was \$19.9 million, \$12 million is state fund, \$7.9 (million) is private, another fund. That was a request and that is something that you will...that you count into this momentum factor that you will have to figure out, either to push it out and not open it as quick or possibly open it and have to absorb it. [AGENCY 51]

HANK BOUNDS: We will have to absorb those costs. [AGENCY 51]

SENATOR STINNER: Okay. This is slated to open and you're committed and... [AGENCY 51]

HANK BOUNDS: So we think College of Nursing, again, it's one of those areas that we think is an investment because we're going to be able to produce more nurses. We think it's an investment. The new facility will have an additional O&M charge to it. And the same holds true...all of the... [AGENCY 51]

SENATOR STINNER: I've got the First Data Building at UNO and the Strauss PAC addition and renovation. [AGENCY 51]

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HANK BOUNDS: And so we... [AGENCY 51]

SENATOR STINNER: Those would be other projects that... [AGENCY 51]

HANK BOUNDS: Right. So First Data we received a gift of \$30 million to buy that facility. The quick numbers there are two data points for you. One, if every freshman at UNO went into an IT-related field, we would not be producing enough IT professionals for the Omaha metro area. A second area is applied research that we think we can grow our research enterprise quickly and significantly in IT. If you look at whether it's the partners that we have in Department of Defense or the other national funders, they are going to be heavily investing in NIH and in all things IT. And so we think there's an opportunity there to capture those opportunities but also meet the needs of businesses in the state of Nebraska. [AGENCY 51]

SENATOR STINNER: We also have National Strategic Research Institute and it's curious to me that we have a 501(c) that is a nonprofit that is...that houses this and apparently we give them \$1.7 million and we're asking for \$250 and then go to \$500 on General Funds. Tell me what that is. And it looks like it's a partnership with the Offutt Air Force Base. [AGENCY 51]

HANK BOUNDS: So the NSRI is the National Strategic Research Institute. They hold the UARC. It's a University-Affiliated Research Center. There are 13 of them in the country. They're at places like Hopkins, Penn State, Stanford. We competed for it about three years ago. We already do about \$20 million of research for the Department of Defense. We work primarily in the areas of combating weapons of mass destruction, and so we do a significant amount of work keeping America safe, combating against biological, radiological, chemical, and nuclear, so whether it's detection or deterrence. And so we do all things in between. It's part of...it links up nicely with what's going on at the Med Center with the \$20 million grant that we just received to make it the National Center for Infectious Disease training. We are the Department of Defense go-to entity and we've competed with the best universities in the country. It's one of the real areas that I think Nebraskans should be really excited about. We are going to end up...that will end up being a profit center for us over time and those dollars will flow back to the university, because we do both classified and nonclassified work there. We have researchers working around the globe. We have some of the world's leading experts in extremist behavior. We have faculty and

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students who routinely speak to individuals connected with the Joint Chiefs on tracking extremist organization, to include those who are trying to weaponize infectious agents. We, again, I think we did somewhere between \$15 (million) and \$20 million of research. This is...this request was to enable us to grow that ability faster. The return on that investment is...will be, has been and will continue to be dramatic. [AGENCY 51]

SENATOR STINNER: Tell me why it's housed in a 501(c)(3) nonprofit organization. [AGENCY 51]

HANK BOUNDS: So the development of private...public-private partnerships are really a...really used widely around the country. They've proved to be very effective. It allows us to bring the best of the public sector and the private sector. And so the person who is leading that organization is a retired three-star general. Let me just find some data here for you. [AGENCY 51]

SENATOR STINNER: Let me ask you, just while you're looking for data,... [AGENCY 51]

HANK BOUNDS: Sure. [AGENCY 51]

SENATOR STINNER: ...you're saying that this 501(c)(3) nonprofit organization will be under the University Technology Development Corporation. Funds will flow back through that. Do we participate? Do we give it back to the federal government? Are all those funds captured to us or...? [AGENCY 51]

HANK BOUNDS: No. So the way that the NSRI or the UARC works is they connect opportunities at the Department of Defense with faculty researchers on all of our campuses. And so the F&A spent out goes directly back to the campus. So if we...so if we were to get a grant to study extremist behavior, which we have right now, those dollars don't flow to NSRI. They flow to the PI, the researcher that is on the campus. [AGENCY 51]

SENATOR STINNER: Okay. Now does that go into General Funds or is that specific research funds or how does that work? [AGENCY 51]

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HANK BOUNDS: Ask your question again. I'm not certain I followed, Mr. Chairman.
[AGENCY 51]

SENATOR STINNER: The dollars that come back to the individual research, say it goes to UNK, would that go into the General Fund to reimburse or does that go into some other fund?
[AGENCY 51]

HANK BOUNDS: So you may recall that at our last meeting I described three buckets of money that we have. So Senator Kuehn asked a question earlier about our \$2 billion budget. We do have a \$2 billion budget, but the dollars that we're talking about in this instance do not equal \$2 billion. So there is a state-aided, about \$940 (million), \$941 million, and then there's auxiliary and revolving. And then there are federal. And so those grants, part of it goes, the F&A portion, part of it flows through the department, part of it is used to generate other research opportunities. Does that...is that responsive to your question, Mr. Chairman? [AGENCY 51]

SENATOR STINNER: So it goes to designated cash funds. [AGENCY 51]

HANK BOUNDS: That's correct. [AGENCY 51]

SENATOR STINNER: Okay. That's what I'm...is the \$1.7 million that we're allocating to it, is that also designated cash funds or is that coming out of the General Funds? [AGENCY 51]

HANK BOUNDS: That comes out of General Funds. [AGENCY 51]

SENATOR STINNER: Okay. Be nice to get reimbursed for the \$1.7 itself. [AGENCY 51]

HANK BOUNDS: We get more than reimbursed. [AGENCY 51]

SENATOR STINNER: Okay. But can we use it... [AGENCY 51]

HANK BOUNDS: Through F&A. [AGENCY 51]

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SENATOR STINNER: ...with the general operations of these campuses? [AGENCY 51]

HANK BOUNDS: So it's buying the time of a researcher that we're no longer paying for. So if you're a faculty member and we're paying you \$100,000, we would...and that was coming out of General Funds. We could use those dollars to buy your...the research apportionment of your time. [AGENCY 51]

SENATOR STINNER: Over into the other (inaudible). [AGENCY 51]

HANK BOUNDS: And those dollars would get freed up. [AGENCY 51]

SENATOR STINNER: Okay. [AGENCY 51]

HANK BOUNDS: So we more than make those dollars back many times over. [AGENCY 51]

SENATOR STINNER: So that person would be repurposed into that other area. [AGENCY 51]

HANK BOUNDS: So every faculty...most every faculty member has a different apportionment. Part of it, you know, it could be most of their apportionment is around teaching, some of it is research. Some of it may be extension or service. And so it really depends on the type of faculty member that you are, how much of your time is dedicated to one of those three parts. So we have faculty members that are 100 percent Extension. We have faculty members that have a larger portion of their time dedicated to teaching. We have some that would be dedicated to doing research and the idea is that when we get these Department of Defense grants, the F&A or actually the grant itself can go to, you know, buying their time so we free it up dollars that can go elsewhere. [AGENCY 51]

SENATOR STINNER: Okay. UNK student retention and success is \$125 to \$250. That's another initiative that we have. Is that going to go forward as a initiative for UNK? I'm asking, of these priorities that you've listed here, you're going to continue to try to seek those priorities, possibly move them out or reassess? [AGENCY 51]

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HANK BOUNDS: So just a note about the request that you have in front of you. Our request, so we were...the Department of Administrative Services asked us to put 2.4 percent increase in the salary line. [AGENCY 51]

SENATOR STINNER: Right. [AGENCY 51]

HANK BOUNDS: They asked us to, and in the fringe line and then 8.2 percent in health insurance. So we did all of those things and then...so that...I mean that generates a large number. We're a large organization and so we tried to pick out the three or four areas that we knew were important going forward. And so you got about \$1 million, \$1.25 million over the course of the next biennium in areas that we thought were important to the future of the state and important to the future of the university. There's no way that we are able to focus on those. Some of them are going to happen anyway. I mean the buildings are...the Nursing College is being built. We're going to have to find...you know, we're going to...those are just additional cuts (inaudible). [AGENCY 51]

SENATOR STINNER: I wasn't trying to find additional cuts. I was looking at opportunities that the universe that you were talking about, that momentum might get stalled. Should we then go to cuts? And these appear to be ongoing projects which will be priorities, which will have to be absorbed... [AGENCY 51]

HANK BOUNDS: That's correct. [AGENCY 51]

SENATOR STINNER: ...if we initiate cuts. And that was my intent. [AGENCY 51]

HANK BOUNDS: That's correct. [AGENCY 51]

SENATOR STINNER: I'm going to switch gears and go to Innovation Campus. [AGENCY 51]

HANK BOUNDS: Okay. [AGENCY 51]

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SENATOR STINNER: The last time I looked, we were supporting that--we meaning the University of Nebraska--was supporting that somewhere close to \$10 million. We also moved a portion of the university ag school campus out there, now paying upward to \$2 million in rent. The composition, from what I understand, is about a third from individual companies that have come in and two-thirds from the university. Would you tell me where we're going with the Innovation Campus and what's the time line and how that mixture of our participation, meaning UNL's participation, versus independence? [AGENCY 51]

HANK BOUNDS: Sure. I'm happy to do so or at least attempt to do so. So in my view, NIC is a good news, bad news. The bad news is it should have been stood up 20 years ago. I think we are so far behind because we didn't have that kind of a center. The good news is we have it stood up now. There's been investment by the state. There continues to be an investment by UNL in particular. I think it's the right investment. Are we going to turn that...are we going to grow out of that overnight? No. But are we going to be in a better place, better position to be able to grow jobs, to be innovative, to bring in more entrepreneurs? We're doing the things that I think will be important to Nebraska's economy. Here's the area where I think we sometimes...we, you know, I spend a lot of time with colleagues around the country and understanding what they're doing, how we're competitive. So if I look at Ohio, Ohio has...is doing the same thing. It's called Third Frontier. Ohio put \$1.5 billion into their operation and the...over time, but it was about innovating. It was about creating small businesses. It was about connecting with the universities. And Ohio, if you look at North Carolina, if you look at some of the institutions in Texas, that's what we're competing against for the best job opportunities for young Nebraskans. And so it's a good start. I would tell you that...so UNL is investing precious dollars into NIC, but I would argue that that investment is the same kind of investment that UNMC is making in outstate nursing programs. We know that it is a short-term hit to us but it is in the long-term best interest of the future of the state of Nebraska. And not having that over there would be much worse than making the investment that we're making. I think it is...was absolutely...I didn't have a thing to do with it so I can't take credit for it, but I think it's absolutely the right thing to do even though it will be painful for a number of years as we move through the process. At some point, that number will change. We have about 16 partners out there now, have about 120 new private sector jobs. We have a number of companies that we're talking to. But you know when you're...so I've spent a lot of my career wooing companies to come work with us in the state, and that just

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doesn't happen on the first date. I mean you just don't get them to marry...you're asking them to marry you basically when they move their business, and it takes a lot of time, a lot of communication, and I think we are doing it the right way. We're just so far behind because we're late to the...we're late to the process. [AGENCY 51]

SENATOR STINNER: So how many square feet do we have available for office areas? What's your anticipated time for filling that? What does that look like? [AGENCY 51]

HANK BOUNDS: We have 380,000 square feet of constructed space. [AGENCY 51]

SENATOR STINNER: Normally rents for how much a square foot? [AGENCY 51]

HANK BOUNDS: You know what, it really depends on what kind of space it is. [AGENCY 51]

SENATOR STINNER: I understand that. [AGENCY 51]

HANK BOUNDS: It's...so if you looked at the...if you looked at wet lab space or you looked at the greenhouse space, the number is really high. You would expect it to be really high. It's very expensive space. If you look at...if you look at the other space, I think it's comparable to other kinds of state space around town, depending on, I mean, can you find cheaper space? You can. But part of the issue there is proximity to the university. The ability to...the idea is how do you take the power of the academic enterprise and marry it with the entrepreneurial spirit and create new intellectual property, create new companies, grow new jobs? As I said, Ohio has invested \$1.5 billion. The state of Nebraska has invested about \$25 million. I'm happy to pull together all the details. What I can't tell you is how quickly it's going to be filled. I just...I don't have...I can't look that far over the horizon to know. We have plans. We know that we met the threshold so that our partner has to start construction--that won't cost us anything, by the way--of another 80,000 square-foot building. So we have met time lines. And so if you look at The Triangle, North Carolina, it's sort of the best example, the best example of what good looks like in that area in all of the United States. What people don't remember is it took them 15 years, 15 years to get the first company to move in. We have 16 partners and we had a celebration ribbon opening since

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I've been here. So I think we're making good progress. I'd love for it to be faster but I'm not disappointed in where we are. [AGENCY 51]

SENATOR STINNER: If I use \$15 a square foot just for fun, would that be anywhere close? [AGENCY 51]

HANK BOUNDS: I really don't know (inaudible). [AGENCY 51]

SENATOR STINNER: Sounds like a cheap number to me. [AGENCY 51]

HANK BOUNDS: I don't know the square-foot rental numbers. [AGENCY 51]

SENATOR STINNER: Yeah, I understand we're trying to create a critical mass and a partnership and that kind of (inaudible). Ten million dollar contribution for 15 years is big-time money, so we'll leave that alone. We talked about steering committee and your ten committees that have gotten together. They're plowing away, plowing through numbers, plowing through different approaches to this thing. Any feel for when you should start to get information back, because I look at this as a process that takes a period of time. Now you have to...you have to sit down and figure out when you can put these efficiencies or cuts in place, what they'll look like, when it takes over, the time line for that. And with that you're going to have to look at when you have to make a decision on tuition. So I would presume that somewhere... [AGENCY 51]

HANK BOUNDS: It all has to be done before July 1. [AGENCY 51]

SENATOR STINNER: That's what I wanted, July 1 would be the... [AGENCY 51]

HANK BOUNDS: Because that's when the new budget starts. [AGENCY 51]

SENATOR STINNER: Yeah. [AGENCY 51]

HANK BOUNDS: We'll have to have everything approved. You know, I would like to say that we're going to approve tuition by May. You want to get there because I mean you think about all

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the financial aid packages that have to be completed. But, you know, until we know how much we can cut, how much money we're going to receive from the Legislature, it is very difficult for us to land on a tuition number. [AGENCY 51]

SENATOR STINNER: Okay. The next question I have is you were talking two different numbers: keeping you flat over the next biennium or \$10 million. Which is it, because we're at \$7 million and \$7 million, which is \$14 (million). It is \$10 (million) or is it flat? I'm trying to determine what numbers I need to crank. [AGENCY 51]

HANK BOUNDS: So for the '18 fiscal year, your recommendation is about \$7 million less than the '17 appropriated amount. [AGENCY 51]

SENATOR STINNER: Okay. [AGENCY 51]

HANK BOUNDS: And that's...and it's the same number for '19, right? [AGENCY 51]

SENATOR STINNER: Right. [AGENCY 51]

HANK BOUNDS: So that would be flat funding, \$7 million in each of the two years. And then \$3 million for iExcel. [AGENCY 51]

SENATOR STINNER: Right. Okay. We got that straight. Okay, you remember our deal when we talked to the Governor and I happened to be in that meeting. You had asked that we could handle of the 2 point...or the 4 percent, we could handle 2.3 percent; everybody else was held at 4 percent; made the concession because you needed to ramp up and ramp out in order not to create a tuition situation in the middle of the year. [AGENCY 51]

HANK BOUNDS: Right. [AGENCY 51]

SENATOR STINNER: Now everybody else has taken that 4 percent cut. We've made concessions. Tell me how I explain that to state colleges, community colleges, and all the rest of

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the folks that took that cut and why we shouldn't expect at least to have a 4 percent cut.
[AGENCY 51]

HANK BOUNDS: So, first of all, you will never ever hear me say that community colleges, state colleges, or K-12 should receive, you know, what kind of cut that they should get. I think all of education is important. It's critical that we grow this state. Growing the university, you know, we are only going to be as good as the community colleges and K-12. We do lots of work with state colleges. But part of this, so if the question is around fairness, first of all, I would say, look back at the last 10-year or 20-year snapshot and look at the percentages...percentage increases that we received versus take K-12, take everybody else. Just look at all other state agencies. They received larger increases. And so my memory of the conversation that we had was, when the Governor said, and had the same conversation with you, so I wasn't thinking about a percentage. What I was going to be asked to do was cut \$23 million at some point after January. That was going to be the recommendation and...so a 4 percent cut, which means I had to cut 8 percent, which everybody else does too. My point was in order for me to get there that quickly, I can't just do it...I can't just do it with cutting. I had to have part of the solution be a revenue solution. And the question was, what can you get to for this one-year cut? But there's a big difference here in a one-time cut. So we were cut. So we only had \$13.3 million, we had \$13.3 million, which is 2.3 percent as opposed to 4 percent. I would have said cut us to \$23 million; I'll increase tuition if I'd known that my base was going to be reduced forever, because there's a big difference in a one-time cut and a recurring over and over and over cut. Because when you take us down \$7 million each year, that establishes a new base, right? And that is very different than a one-time cut. Does that make sense? [AGENCY 51]

SENATOR STINNER: I absolutely understand that. I do not have a crystal ball to see when this revenue is going to swing back and when we can reestablish some kind of new base for you, too, so. [AGENCY 51]

HANK BOUNDS: So, you know, I would have...if I had known that the next two years would be part of the one-year model, then I would have said...I couldn't have agreed to that. I mean I couldn't have agreed to that for the board. [AGENCY 51]

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SENATOR STINNER: Okay. Just for the record, the University of Nebraska has averaged 2.7 over the last 20 years. K through 12 has 3.1, but they did get a 12.3 and a 6.2 in 2013-2014. Interestingly, when I look back over, the University of Nebraska has suffered just one cut...two cuts, 4.7 in 2003-04 and 2011 and '12, .7 percent cut. And that was ugly times, if you remember. But they did give you or held you equal in 2009-10 and .5 percent in '10-11. So I think the state has been pretty fair. Percentagewise only tells half the story because you've got bigger numbers: \$372 (million) is what you went to, to \$583 (million), where state colleges, although they show a 3.1, goes from \$31 million to \$52 million. So kind of everybody is in that same thing. I think the state has committed a large percentage of their total budget to not only K through 12, special ed, and all the rest of that. We're trying to be fair. We're trying to make sure that things work in a fair and equitable fashion. So that's my spiel for today. (Laugh) [AGENCY 51]

HANK BOUNDS: I appreciate it. I'm just looking at long-term percentages and part of it is we do get more money because we are a large enterprise. I understand that. And as I said, you asked me to explain how you could explain this to others and when I look at long-term trends, the trends look...they're pretty...there's some significant disparity long term. And my concern is a one-year versus a recurring cut, that is a very different treatment. [AGENCY 51]

SENATOR STINNER: Changing the subject again to bond rating agencies. One of the things that they'll rate us on is stability of dollars or this, and obviously we're part of that. So that... [AGENCY 51]

HANK BOUNDS: Right. [AGENCY 51]

SENATOR STINNER: ...may be a destabilizing event. But how much and when are we going to come to the market again for a bond issue? Do you have any feel for that? [AGENCY 51]

HANK BOUNDS: We just went to the market for a couple of projects and we had a good outcome. I don't have the language. The rating agency had some language about concern about our cash position falling and what that might look like. I mean they've lifted up some of the same conversations at their hearing. They have expressed some anxiety about it but they didn't lower our rating. [AGENCY 51]

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SENATOR STINNER: No real need to go the next two years? [AGENCY 51]

HANK BOUNDS: No, we will have to go. So you'll recall that two years ago that we asked...so we have about \$750 million in deferred maintenance. [AGENCY 51]

SENATOR STINNER: Uh-huh. [AGENCY 51]

HANK BOUNDS: We asked to get half of that. We asked for the state to give us \$22 (million), we would commit \$22 million. That would have achieved about...that would have gotten us about halfway over the next ten years through that deferred maintenance issue. We got half of it, so we're, over the next decade, we'll be able to focus on about a quarter of that number. The problem is that at that rate, in a decade from now, we'll be about where we are now. So we will be able to go back to the market sometime mid to late next year. [AGENCY 51]

SENATOR STINNER: Okay. Thank you. Any further questions? Senator Kuehn. [AGENCY 51]

SENATOR KUEHN: Thank you, Mr. Chairman. Appreciate your time. Been there for a couple hours now. So just a couple of questions of clarification... [AGENCY 51]

HANK BOUNDS: Sure. [AGENCY 51]

SENATOR KUEHN: ...just for the record and understanding. So when you talk about your change in General Fund appropriations relative to other agencies, that's purely General Fund. That number does not include additional spending through the Nebraska Capital Construction Fund. That doesn't include the one-time Cash Reserve transfers, like the \$4 million the Dental College is getting and others, correct? That's simply General Fund dollars. [AGENCY 51]

HANK BOUNDS: I think it's an all-in number. [AGENCY 51]

_____ : It's just General Funds. [AGENCY 51]

HANK BOUNDS: General Funds, okay. [AGENCY 51]

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SENATOR KUEHN: So all of those other sources of state support through NCCF, Cash Reserve transfers, and others are not included in that number when you're making that comparison. Just in terms of the number in the discussion we had before, I think following the hearing we as a committee and our fiscal analyst probably need to sit down with your budget staff. We're appropriating, we're thinking about things in terms of our General Fund financial status. That number at the end of the biennium is what Ms. Fry, sitting in the back of the room, and others are going to bust our chops over and what our constitutional requirement for the 3 percent Reserve is. So while you're thinking things in a discrete fiscal year, we have to think of things in the biennium. So we need to make sure that we're all dealing with the same set of numbers...

[AGENCY 51]

HANK BOUNDS: Sure. [AGENCY 51]

SENATOR KUEHN: ...in terms of what those implications. So I appreciate your willingness to help walk us through that. I guess my final question is if we're to address your request with \$10 million additionally, \$7 million and the \$3 million iExcel, we have two options essentially legislatively. That is, we either take that \$10 million from another program or we go to the taxpayers and we raise additional revenue. What is your recommendation to this body as to which approach to take? [AGENCY 51]

HANK BOUNDS: So I wouldn't be so bold as to tell you how to do that. I'm going to have to make those decisions, but I recognize that I cannot do it with cuts alone. There has to be a revenue solution as part of our process. We can't get there any other way. The thing that I would ask you to think about...and I know it keeps all of you awake. You're concerned about the future of the university. I know you all care about the university. We are creating jobs. We are creating opportunities. The only, in my view, one of the real only true ways to achieve tax relief is to grow the state, grow the population, bring more jobs in, have more people paying taxes. That's how at the end of the day you really achieve savings. And in a small state from a people perspective, I think it's...we can't afford to slow down that growth, and that's my argument.

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SENATOR KUEHN: Yeah, and I don't disagree. I mean you've gone to nursing for example multiple times today and I think it's an excellent example. But it's also worth noting that UNMC hasn't come back through with numbers so I don't...I can't give you full numbers, but approximately half of the nursing graduates in this state are at private institutions that receive no state dollars. So my question is, there's no doubt that you're creating jobs. There's no doubt that the university is the key, center, focal point of our job training, of Extension. No one is questioning any of those. But when we're looking at what does \$7 million over the course of two years, what does that ultimately mean to the programming? Is \$7 million...and I think that's where Senator Watermeier was getting down to it. If you're talking about a farm family in Kearney County, if you're talking about the Kuehn family, I know what a tax increase is going to do to them. I don't have a clear vision for what a \$7 million reduction in the base budget to the University of Nebraska System is really going to impact to them. My inclination is probably not a lot. So I'm concerned as to when we make these priorities, whether we find that \$10 million in HHS...you know, just last week we had a discussion, very vibrant discussion, about a half million dollar cut and \$16 million of General Fund to the Department of Agriculture. As we establish those priorities and as we move forward as a committee and as a Legislature, we need to have a full picture of what this means, not just for the individual agency but also what this means for the long-term livelihood of the families with which we represent. And so I think as we move forward with all of this, it continues to be that evolving partnership and that evolving discussion that helps all of us get a clear picture and understanding of what are the short-term implications, what are the long-term implications, and how do we all, every state agency, every family in Nebraska, participate in what is going to be potentially a multiyear revenue versus expenses issue. [AGENCY 51]

HANK BOUNDS: So I'm sorry if I haven't done a good job of explaining what I think will be pretty dramatic impact on the university in the future. But let me just try to address your question on the Medical Center. And if you haven't received the information, I can give you the document here. So if you look at MDs statewide, UNMC, so there are two...there's an institution that's focused on meeting Nebraska's medical needs. They're a very different mission versus national medical needs. So if you look...looking at production is one thing. So if you look at MDs statewide, 54 percent is...were trained at UNMC, 18 percent by the private provider; dentists, 67 percent UNMC versus 24 percent; pharmacists, 56 percent versus 30 percent; physician

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assistants, 66 (percent) versus zero; nurse practitioners, 57 (percent) versus 16 percent; clinical nurse specialists, 77 percent versus 13 percent. When you look at rural Nebraska, the numbers are much more profound. And so those, the numbers, or pure production is one piece. People that are going to work in Nebraska is a very different picture. What I think and I would argue that's the most important piece, and for half to a third of the cost. And so, yes, the state is paying for it, but they're getting what they're paying for. So you're putting healthcare providers inside the state and not outside the state. [AGENCY 51]

SENATOR KUEHN: Uh-huh. [AGENCY 51]

SENATOR STINNER: Further questions? Senator McDonnell. [AGENCY 51]

SENATOR McDONNELL: President Bounds, thank you for being here. Trying to learn from the past, I know you've only been here less than two years and that you have a number of people behind you that have dedicated their lives to the university system. Going back to 2002, the impact of those cuts to the students, to the economy, how long did it take us to recover? [AGENCY 51]

HANK BOUNDS: So one...so tuition went up north of 30 percent over a three- or four-year period. During that time there was a midyear cut and a following two-year cut below the base. I haven't done anything with time value of money to make that kind of comparison. Lost about 1,800 students. It took five or six years to recover. I would argue that it's a decade's worth of undoing. We retreated from a number of communities that we supported in the past. There are still...you know, I've traveled the state a good bit. Chancellors sitting behind me have traveled the state a good bit. There are still...there are long memories of our retreating. But, you know, we will be very careful to deal with this in a way that does as little long-term damage as we...the thing we can't allow is, you know, a two-year cut to have a decade-long impact. That's what you had in 2003. We can't afford that. I don't think we're in a place where we can afford that right now. And I'm just...I wasn't here. I haven't been here for two years. I started in the middle of April. But I've spent a lot of time trying to understand the numbers and the data, and I'm very much data-driven. So we'll look under every rock, whether it's revenue or expenses to try to mitigate. [AGENCY 51]

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SENATOR McDONNELL: Thank you. [AGENCY 51]

SENATOR STINNER: Anybody else? Senator Clements. [AGENCY 51]

SENATOR CLEMENTS: When you were talking about a 7 percent tuition increase, you said the words that would be...add \$34 million to revenue in the second year. Just the second year, or is that really a two-year combined? [AGENCY 51]

HANK BOUNDS: Two year. So I think when I look at the cumulative cost, not the additive cost, the cumulative baseline number, whether it's tuition or cuts, that's...when I give you numbers, that's the way I'm talking about it. So I'm not saying...so I'm not saying that if we raise it...we don't have three. If we raise \$1 of tuition in year one and \$1 of tuition in year two, we have \$2 of tuition in year two, not \$3 of tuition. And the same holds true for cuts. [AGENCY 51]

SENATOR CLEMENTS: All right. Thank you, Mr. President. [AGENCY 51]

SENATOR STINNER: Senator Wishart. [AGENCY 51]

HANK BOUNDS: I thought I was (laughter) about (inaudible). [AGENCY 51]

SENATOR STINNER: Give you another glass of water. [AGENCY 51]

SENATOR WISHART: So have you spoken at all with Revenue Committee members about the impacts that these cuts would have on the university and our economic development as a state? [AGENCY 51]

HANK BOUNDS: I've spoken to the Chairman. I tend to have additional conversations and my conversations with the Chairman has been, you know, to try to explain some of the things that I've talked about today, the fact that we're making such progress, that there's been such tremendous private investment, that all of our metrics are headed in the right direction, that no other entity coming before this body can bring the kind of private investment, national recognition to the state, and that we need this committee's help. We need Revenue's help. Look,

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it's way above my pay grade to weigh in on taxation policy and I'm not going to do that, but I do know something from my history in my work with other states. I absolutely know that this type of disinvestment at the university, not looking at this through a long-term lens, is a problematic strategy. And I want to be clear, we're going to make cuts. If you increase us by \$7 million to put us back at the base, and \$3 million for the iExcel commitment, we still have to cut \$46 million. And so I've...you know, there's no question that taxes impact location decisions so it can't be one or the other, but I can tell you companies aren't going to move to a place that...where they don't think that the university is vibrant and strong and can do work force development and the research that they need to be successful as an entity. [AGENCY 51]

SENATOR WISHART: Thank you. [AGENCY 51]

SENATOR STINNER: I don't see anybody else for questions. [AGENCY 51]

HANK BOUNDS: I'm going to leave while I can. [AGENCY 51]

SENATOR STINNER: We do want to thank you for your... [AGENCY 51]

HANK BOUNDS: Thank you. [AGENCY 51]

SENATOR STINNER: ...for your honesty and candor. This is a big deal to you but it's also a big deal to us. And we appreciate your commitment to the university and thank you for coming in. [AGENCY 51]

HANK BOUNDS: So if I could just take a moment to introduce one of our student regents, Rachel Flaugh. Rachel is from Hartington, Nebraska. It's a bustling community of about 1,500 people. She's a chemistry major at UNK. I'm going to tell you a few other things about...she could have told you those things but let me tell you a little bit more. Small town Nebraska girl, absolutely killed the MCAT, has been invited to interview Hopkins, Harvard, Duke, and she chose Nebraska medicine because she thinks that's where she'll get the best education but could go anywhere in the country. And her colleagues are equally as talented. So with that, I'll get out of Rachel's way and let her speak to you. [AGENCY 51]

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SENATOR STINNER: Thank you. You know, I paid \$6 a night to stay in the Hartington Hilton.
(Laughter) [AGENCY 51]

RACHEL FLAUGH: Hartington is quite the place, that's for sure. [AGENCY 51]

SENATOR STINNER: It only had one bathroom and about eight or nine (inaudible). [AGENCY 51]

RACHEL FLAUGH: (Exhibit 4) Chairman Stinner and members of the Appropriations Committee, my name is Rachel Flaugh, R-a-c-h-e-l F-l-a-u-g-h, and I am the student body president at the University of Nebraska at Kearney. I am speaking on behalf of the four student regents at the University of Nebraska who together represent almost 53,000 students from across our state and the world. My fellow student regents who are with me today are Spencer Hartman, an agriculture economics major at UNL who is from Imperial; Danial Cloonan, a UNL alum and current UNMC student from Omaha; and Patrick Davlin from Omaha who is studying computer engineering at UNO. We are united in our support of the request that Chairman Whitehouse and President Bounds discussed with you a few minutes ago. We are asking you to increase your budget recommendation for the University of Nebraska by \$10 million more each year to spare students like us from double-digit tuition increases and deep cuts that will limit our opportunities and send the wrong message to Nebraska's future leaders. I was raised on my family's farm in Hartington, Nebraska, and I am currently studying chemistry with a minor in political science. I will graduate in May and then enter medical school. I have interviewed at nine schools, including UNMC, Harvard, Duke, and Johns Hopkins. I have already been accepted to UNMC, among other schools, and will hear back from the rest in the next few days. Having interviewed at the best medical schools in the country, I can tell you that I was most impressed by the technology available at the university in our own backyard---UNMC. The faculty and facilities and learning opportunities there rival those at any other place, and I could access them without being saddled by the overwhelming student debt that we have all read about in national headlines. I chose UNK for similar reasons. UNK has opened doors for me that I wouldn't have thought possible. My professors care about my success. I've been able to participate in an undergraduate chemistry research program mentored by my professor and other activities. The experiences I've had in Kearney have prepared me for medical school and my future career. Talk to any student at UNK

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and you will probably hear similar stories about doors being opened. Almost half of UNK students are the first in their families to attend college. Most of them are low income. Most students I know, myself included, are working one or more jobs to pay their tuition, and most of us will graduate with some level of debt. We know it's well worth it because the payoff of a college degree is that we will be more competitive in the work force, have higher earning, and be better able to provide for our families. Furthermore, we know that the University of Nebraska is a great value compared to similar institutions. Look at UNL, for example, where tuition is 50 percent lower than the Big Ten average. And across the campuses, we graduate with less debt than our peers, which means that we're able to spend more money in the economy sooner after we finish school. We know your support has made that possible and we feel lucky to attend a university that has a strong partnership with the Legislature. At the same time, the costs of attending college are real for students like us. I know Patrick, Spencer, and Daniel would say the same thing. We and the students we talk to understand that there's a price tag for quality and that our tuition dollars are used wisely to attract talented faculty and create the best possible learning environments for us. But any increase in tuition has a very real impact on accessibility. As a native of rural Nebraska, I know that this can be especially true for rural students if their families already have limited resources due to the current economic conditions. While students and families can reasonably plan for moderate tuition increases, we fear that large increases could drive students away, the same students who could go on to become the doctors, nurses, teachers, engineers, and farmers of the future. With your support, we can keep the doors of opportunity open for these students. For the future of our state, we ask you to send a clear message to Nebraska's young people that the Legislature supports its university and students. On behalf of the student leadership at the University of Nebraska, thank you for allowing me to testify. I would be happy to answer any questions. [AGENCY 51]

SENATOR HILKEMANN: Thank you, Ms. Flaugh. Are there questions for Ms. Flaugh? As one who actually knows where Hartington, Nebraska, is, because I'm from Randolph, Nebraska, I do have a quick question. You said the tuition is 50 percent lower. [AGENCY 51]

RACHEL FLAUGH: Right. [AGENCY 51]

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SENATOR HILKEMANN: How does that...is that for the Med School tuition or is that just tuition in general for...? [AGENCY 51]

RACHEL FLAUGH: That's for UNO campus specifically, but other campuses across the state of Nebraska also have considerably lower tuition in comparison to peer institutions, which has allowed us to contribute to the economy sooner after graduation and really go out there and make opportunities happen for the state. [AGENCY 51]

SENATOR HILKEMANN: Well, I want to applaud you for selecting UNMC. You made a wonderful choice. Any other questions? Thank you. Other proponents. [AGENCY 51]

BART RUTH: (Exhibit 5) Good afternoon. My academic credentials aren't quite as stellar as Rachel's, so I get to introduce myself. Members of the committee, my name is Bart Ruth, B-a-r-t R-u-t-h, and I am president of the Agriculture Builders of Nebraska. I am the sixth generation to live on the family homestead in Butler County, and a University of Nebraska graduate. I am pleased to provide testimony today on behalf of the Ag Builders membership to speak in support of maintaining the university's 2016-17 funding level of \$583 million and following through on the iExcel intent language. Nebraska has become a global agricultural powerhouse by developing and utilizing our natural resources, beginning with our rich, fertile soil and the abundance of groundwater in the Ogallala Aquifer. Major innovations in irrigation and farm technology further enhance that potential. The cutting edge research being done at UNL, and especially the Institute of Agriculture and Natural Resources, have allowed producers like me to conserve resources, protect the environment, and preserve profitability, which is even more critical in today's ag economy. To fuel the next wave of economic growth for our state we need to continue to develop our human resources by producing a highly educated work force. Today's modern agriculture is just one industry that requires an educational skill set that necessitates quality, postsecondary education. Senators, your key...your support is a key reason why the University of Nebraska has been so successful in helping to advance Nebraska agriculture and grow the state's economy. The University of Nebraska is the most powerful economic development engine in the state, providing a \$3.9 billion annual economic impact. Your support is paying great dividends. No one understands better than I and other producers around the state that today's agricultural economy is in a different place than it was just a few short years ago. I also understand that producers like

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myself, as well as the state of Nebraska, must make hard choices when revenues fall or margins decrease. But the place to make concessions is not in expenditures that provide long-term returns and must be considered as strategic investments. Developing human capital is a long-term investment and is vital for our state to enjoy continued growth. With increasing recognition by families that postsecondary education is critical in today's work force, we must continue to maintain affordable tuition rates and not place undue burdens on families who may be sending first-generation students to the university. I know firsthand how important it is to recruit and retain talent in Nebraska and the challenges that even corn and soybean producers have in identifying qualified employees. The university supplies 10,000 new graduates each year for Nebraska's work force. At a time when our economy needs more college-educated workers, not less, we need to be investing in our university. Our membership is tremendously excited about what the university and the IANR is doing to serve our state and grow the economy, and that impact extends beyond the classroom. The University of Nebraska-Lincoln Extension experts touch every corner of the state helping people make better decisions by connecting them to research and leading techniques and offering youth development to 140,000 kids through 4-H. University Extension also develops leaders statewide, providing 2,300 hours of training for over 260 leaders across Nebraska to improve leadership effectiveness in their local communities. That is what I call long-term human capital development. On behalf of the Ag Builders of Nebraska, I strongly encourage you to invest in the University of Nebraska by maintaining flat funding through the next biennium and funding the intent language for iExcel. Thank you for your time today and I would be happy to respond to questions. [AGENCY 51]

SENATOR STINNER: Thank you. Any questions? Seeing none, thank you very much. Just for those who were counting, the Nebraska Economic Forecasting Board came out with their forecast and it was down \$163 million. We're now down \$298 (million). Great news, huh? Okay, any more proponents? Opponents? Seeing none, anybody in the...opponents? Neutral? Anybody in the neutral capacity? Welcome. [AGENCY 51]

LAWRENCE BRADLEY: (Exhibit 6) Thank you, Mr. Chairman. My name is Lawrence Bradley, L-a-w-r-e-n-c-e B-r-a-d-l-e-y. I have a statement to read and it's a little under five minutes so...and it's very important, so please. I know that red light will come on. Dear esteemed Senators of the Appropriations Committee, my name is Dr. Lawrence W. Bradley and I'm

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testifying on the budget for the University of Nebraska System. Let me start by informing you all that I am an adjunct faculty member at the University of Nebraska at Omaha. As you decide how much to allocate to the budget for the University of Nebraska System, there's some information I feel that you all should know. The Omaha World-Herald, WOWT, NET, and the UNO Gateway have all completed stories about the extreme high number of adjuncts teaching courses at UNO. UNO uses approximately 50 percent of all class instruction by adjunct professors on that campus. That estimates to be about 500 part-time instructors at UNO. I have personally heard stories of UNO administration asking an adjunct to sign away her health benefits so she could teach nine credit hours in one semester. I understand she was pregnant at that time. Another adjunct told me he hasn't had a raise in ten years. There's great disparity in pay for adjuncts from one college to another. I want to provide an estimate of numbers for consideration. If I teach a three credit hour class of 80 students, and the tuition is approximately \$205 a credit hour, the revenue for that course would be roughly \$49,200. I only get paid \$3,600 to teach the course. So where does the other \$45,600 go? Remember, UNO is exploiting around 500 adjuncts. Also, I have recently filed a complaint to the Nebraska Equal Opportunity Commission with allegations, and I'm saying allegations, that UNO has discriminated against me because I am a disabled American veteran. Numerous times I have applied for full-time work and numerous times UNO has denied me full-time employment, even though I have been a faithful, steadfast employee for years. UNO may report to the state and federal Department of Labor that it employs disabled American veterans, but that does not tell the whole picture. UNO exploits disabled American veterans and will never promote or advance their employment status, even times when the budget is good. In my opinion, there are definite discriminatory barriers at UNO. Now the federal EEOC knows about these alleged barriers at UNO. If UNO receives any federal funding and discriminates against disabled American veterans, there may be serious repercussions. Is that the same with state funding? When the University of Nebraska System appears before you, and their lobbyists appear before you, and ask for X amount of state funding, please think and remind them of the 500 part-time employees at UNO, for it is on the backs of the exploited adjuncts that all four campuses--UNO, UNK, UNL, and UNMC--get to expand a program or construct a new building. The chancellor of UNO has said he wants to increase enrollment to X thousand more students. That means that many more part-time instructors get taken advantage of. The overuse and exploitation of part-time labor at UNO is ethically and morally wrong. Nebraska can do better than this. If the tenured faculty get a raise, then so should the adjuncts. I have presented

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this information before the University of Nebraska System Board of Regents and the new president. They have declined to answer me or take a position to improve the situation of low pay for 500 part-time instructors at UNO. Thank you, Appropriations Committee, for listening to me. Please relay this message to the entire body of the Nebraska Legislature so they can know of UNO's and Nebraska University System's exploitation of human labor. Please consider having a special committee hearing on this issue in the future. If any of you want to talk to me about this problem in depth, please contact me. Thank you. And again, I'm Dr. Lawrence W. Bradley.
[AGENCY 51]

SENATOR STINNER: Thank you, Dr. Bradley. Any questions? Seeing none, thank you.
[AGENCY 51]

LAWRENCE BRADLEY: Thank you. [AGENCY 51]

SENATOR STINNER: Anyone else in a neutral capacity? Good afternoon. [AGENCY 51]

RENEE FRY: (Exhibit 7) Good afternoon, Chairman Stinner, members of the Appropriations Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. I didn't actually prepare any comments. Today I do want to extend my sympathies as your job just did get harder, as Senator Stinner mentioned. I wanted to hand out this chart. I thought that this would be helpful information for you to think about. SRI International was hired by the Governor to put forward recommendations about economic development in the state of Nebraska. And SRI International suggested that Nebraska focus on raising wages in the state, as our wages are lower than the national average. If you look at the top part of that chart, you can see that there's no significant correlation between overall tax level and high-wage economies. However, when you look at the bottom part of that chart, you can see there's a very strong relationship between education and wages and, in fact, the higher the percentage of the work force that has a bachelor's degree, the higher the wages in the state, which makes sense. So I would encourage you to think, as you're doing a very difficult job here, that I understand, that you do consider the long-term ramifications when we cut education and the impact that that will have on our economy. So I just want to stress that to you. Also, Senator Kuehn, I would suggest to you that there are a whole list of revenue measures that have passed

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over the last ten years that I guarantee the Kuehn family does not pay (laughter) and that could be looked at to be frozen or to be repealed. And I will be reaching out to your office so we can sit down and chat about some of those. But I do think that there are several revenue measures that could be looked at that will not increase taxes for the vast majority of Nebraskans. And so I would encourage you to take a look and strongly consider revenue as being part of the solution for this uphill battle that you have here. And with that, I'd be happy to answer any questions.
[AGENCY 51]

SENATOR STINNER: Thank you. Questions? Senator Kuehn. [AGENCY 51]

SENATOR KUEHN: So your former employer, I believe, is in the room. Is that correct,...
[AGENCY 51]

RENEE FRY: Yes. [AGENCY 51]

SENATOR KUEHN: ...Ms. Fry? So he's beaming with pride, so I think that's awesome. No. Thank you for coming in and providing us this information. We appreciate it. [AGENCY 51]

RENEE FRY: Thank you. [AGENCY 51]

SENATOR STINNER: Thank you very much. [AGENCY 51]

RENEE FRY: Thanks. [AGENCY 51]

SENATOR STINNER: (Exhibits 8, 9, and 10) Any additional testifiers in the neutral capacity? If not, that concludes our hearing for the University of Nebraska. We will take a...oh, I have letters but I don't have them with me, do I? I've got a letter of support from the Nebraska Medical Association, from a Todd Pencrants (phonetic), and the Lincoln Chamber of Commerce, Wendy Birdsall supports the University of Nebraska. And so that concludes the hearing at the University of Nebraska. We are going to take a short break, if that's okay. Be back at 5 after 4:00.
[AGENCY 51]

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