

Appropriations Committee March 5, 2019

STINNER: [00:00:00] --committee hearing. My name is John Stinner; I'm from Gering. I represent the 48th Legislative District. I serve as Chair of this committee. I'd like to start off by having members do self-introductions starting with Senator Erdman.

ERDMAN: [00:00:14] Steve Erdman, District 47, ten counties in the Panhandle.

CLEMENTS: [00:00:20] I'm Rob Clements from Elmwood, District 2, Cass County and parts of Sarpy and Otoe.

HILKEMANN: [00:00:25] I'm Robert Hilkemann, District 4 which is west Omaha.

STINNER: [00:00:29] John Stinner, District 48, all of Scotts Bluff County.

BOLZ: [00:00:32] Senator Kate Bolz, District 29.

WISHART: [00:00:34] Senator Anna Wishart, District 27, west Lincoln.

VARGAS: [00:00:38] Tony Vargas, downtown south Omaha, District 7.

DORN: [00:00:41] Senator Myron Dorn, District 30, Gage County and southeast Lancaster.

STINNER: [00:00:47] I believe Senator McDonnell is in a different-- in a hearing so he may be joining us later. Assisting the committee today is Brittany Bohlmeyer, our committee clerk. Our page today is Cadet Fowler; he is studying film studies at the University of Nebraska-Lincoln. I also

have Phil Hovis who is our legislative analyst for Agency 48, maybe 50, and 83, all the other agencies we're going to hear today. At each entrance you'll find cream-- cream testifier sheets. If you are planning to-- on testifying today, please fill out a 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 you want to be on the record as having a position on a bill being heard today or an agency, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures: please silence or turn off the cell phones; move to the reserve chairs when you are ready to testify. Order of testimony will be introducer, proponents, opponents, neutral, and closing. When you come up to testify, please spell your first and last name for the record before you testify. Be concise. It is my request that you limit your testimony to five minutes. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony, but don't have 12 copies, please raise your hand now so the page will-- can make copies for you. With that we will begin today's hearing on Agency 48 Coordinating Commission for Postsecondary Education.

MIKE BAUMGARTNER: [00:03:05] Good afternoon, Chairman Stinner, members of the committee. My name is Mike Baumgartner, M-i-k-e B-a-u-m-g-a-r-t-n-e-r. I'm the executive director of the Coordinating Commission for Postsecondary Education. Coordinating Commission is a constitutional agency with a governing board of 11 commissioners who are appointed by the Governor and confirmed by the Legislature. If you were unfamiliar with the commission, you can find our duties listed in the handout I've passed out, along with information about our student aid programs. I will be brief this afternoon as the commission fully supports the Appropriations Committee's preliminary appropriations for agency operations and grant programs. Regarding our

agency operations, we appreciate the committee funding the additional charge imposed upon us by OCIO for IT support for the ACE program, and the salary and health insurance increases consistent with other state employees. Looking specifically at our grant programs, I want to thank the committee for recommending increased funding, increase spending authority for the Nebraska Opportunity Grant program. As you know, this program provides financial aid to Nebraska students from low-income families who attend public and private colleges and universities in Nebraska. You may also know that it is one of the smallest financial aid programs in the country in terms of aid for undergraduate and as a percentage of higher education appropriations. Last fiscal year, almost 13,000 students out of 36,000 eligible students received the Nebraska Opportunity Grant with an average award of \$1,354. The increase of \$1 million for FY20 and \$2 million for FY21 will allow more students to receive awards and/or awards to increase substantially. At the average award, this additional funding will allow almost 750 additional students to receive an award in FY20, almost 1,500 more in FY21. I also want to thank the committee for funding the Access College Early program at our FY21-requested amount each year of the biennium. The ACE program has been enormously successful in expanding access to low-income, dual-credit students, with consistently over 80 percent of recipients enrolling in college following high school graduation. But its funding needs have never been fully met. FY18, the program served 2,456 students, a record number, but only because students were limited to two scholarships each. In the current fiscal year, we have funded about 2,330 students, but we've run out of funding in February and will not be able to serve all applicants. It's unlikely we will be able to meet demand even with additional 154,400 per year. But the additional 620 or so scholarships awarded each year will make a big difference in ensuring equitable access to dual-credit courses across the state. I close by reiterating the importance of financial aid programs. I've pointed out that they are relatively small and don't serve close to all eligible students. That matters to students, their families in Nebraska. I note the comments made by former Appropriations Committee, Senator Kuehn, last week as a new member of the Economic Forecasting board, as reported in the "Journal Star." Other economic indicators he has seen among

college students and their families, especially in the past year, are financial stress, hunger insecurity, and inability to make tuition payments. You see in attendance rates kids leaving school midterm because of financial stress really starting to snowball in some of our institutions of higher education. Increases you've included in the preliminary budget will make a difference for some of those students. I would like to assist all of them. I'd be happy to answer any questions you have about our appropriation request at this point.

STINNER: [00:06:34] Thank you. Questions? Senator Bolz;

BOLZ: [00:06:41] Thanks for coming. I want to ask you a question that is not directly related to your agency budget request so forgive me for-- for taking the little bit of a tangent. But in front of this committee there has been discussion of the Governor's talent initiative which is, of course, investing in scholarships and access to higher education, that sort of thing. I think it's-- it's an interesting proposal in terms of how it gets expended and what we're targeting and on all those decisions that are a part of the Governor's talent initiative. As an entity who's part of your responsibility is to administer financial aid, would you be willing to just talk to us a little bit about some of the things that are challenges to you in administering financial aid, some of the things that you think about as you distribute scholarships, maybe some of the needs that you see sitting in the Coordinating Commission that might be informative to us as we think about how to marry up the talent initiative within the state.

MIKE BAUMGARTNER: [00:07:42] Yes, the thing that always stands out to me in terms of Nebraska's merit programs is that they're small and we have a lot of unmet need. And we're, as I mentioned, only able to serve a third of the students who demonstrated financial need-- that financial need is demonstrated as having 110 percent of the maximum EFC for a Pell Grant. So that means that the expectation is that their families can provide about \$5,800 a year toward their

college expenses. That's-- that's what would qualify you for-- for Nebraska Opportunity Grant. So my-- in my mind, meeting student aid is always a top priority. [BUZZING NOISE] I got this yesterday in Education Committee, so I can talk over [INAUDIBLE]. In terms of-- of the programs that might fit, as you are aware, the Community College Gap Assistance program targets a number of areas that have been identified by the state as high-need areas. I think that there would be considerable overlap into the program that the Governor has proposed in those-- those areas. I would mention that my commission when it sets priorities in its biennial budget and in the process of reviewing institutional budgets had affordability and meeting work force needs as the two priorities that had thought the state should focus on this year. So the program is-- is exactly in line with what the commission thought after reviewing all sorts of things are places where-- where the state needed to go. In terms of administering programs though, we have a financial aid officer. We have the processes laid out in statute and rules. We have relationships with the institutions so its programs are generally in the state easy to administer because they're done to the institution and then to the students rather than on a per student-- the ACE program takes more time in administering, considerable more time because that's handling individual applications. But if it's a kind of a batch process, I don't know what the administering-- what the administrative part of those proposed programs is-- is really going to be. But we have processes to do that and we have relationships and to be willing to offer our assistance to anybody, I think it's Department of Labor or the institutions, whoever is-- whoever is active in that with any-- with any experience we have to help them out.

BOLZ: [00:10:13] That's helpful. And just-- just one follow-up question. We basically have about three scholarship programs. We've got the ACE scholarship program for dual credit, the high school students we've got the Gap Tuition Assistance Program which is, of course, for short-term credentials; and then the Nebraska Opportunity Grant which is for low-income students. This-- take this question where you can, would you say that those three programs are successful in doing what

they are statutorily designed to do? Or are we producing kids with-- young people, students, students that graduate with credentials through the help of those scholarship program.

MIKE BAUMGARTNER: [00:10:56] Absolutely. The NOG program is-- is a very important supplement. As I mentioned it's small. That means that institutions have to-- have to draw on their own resources as well. If you look at other states, for instance we have a statutorily required tuition and fees report each year. The tuition fees report that we did this year, we've-- we've revamped it somewhat, but we're looking at comparisons to peer institutions and the sources of funds for financial aid and Nebraska-- Nebraska is small that-- the number of state grants that they have compared to similar institutions is small and they have to make that up with institutional aid if they want to meet that need. I think it's a very successful program. I think that it doesn't reach enough students. ACE, over 80 percent of ACE students go on to college compared to about 55 percent of low-income students who haven't received ACE. Granted, the students are of high ability and interest, they've taken to dual-credit courses. But that is extraordinary because it is higher than the-- the college going rate of students who are not considered low income as well. It's very high. The Gap Assistance program is still getting under way. I would like to see greater uptake. I know that you have a bill in committee that would allow us to extend that to students who are in for-credit courses but that are too short term to be Pell courses. I think that is a gap in the Gap program and that-- that would make a difference in terms of work force preparation as well. But I think all the programs are effective.

BOLZ: [00:12:25] Great. Thank you. Appreciate it.

STINNER: [00:12:27] Additional questions? Senator Clements.

CLEMENTS: [00:12:31] Thank you, Mr. Chairman. Thank you, Mr. Baumgartner. I was

wondering about the Opportunity Grant program. And it says public and private colleges and universities participate. Do community colleges also participate?

MIKE BAUMGARTNER: [00:12:46] Yes, they do.

CLEMENTS: [00:12:47] And do you have most of the institutions in Nebraska?

MIKE BAUMGARTNER: [00:12:52] Yes, there are-- I believe there's 38 are participating in the program, and that-- that includes some-- some specialty; cosmetology, anything that's eligible for Title IV for federal financial aid is possibly eligible for this program.

CLEMENTS: [00:13:10] And then how does the college participate? They're required to-- if you give them a grant--

MIKE BAUMGARTNER: [00:13:18] The money is distributed based on a formula that takes the FTE of eligible students; we collect that from the institutions; we'll be collecting that in a couple months, and figures out what proportionate share each institution would get based on their eligible FTE. And that is multiplied-- their proportions multiplied by the number of dollars that are appropriated or that we expect to be appropriated. Then they will get a lump sum for that. There are qualifications that the students have to meet. I mentioned that they have to be at no greater than 110 percent of [INAUDIBLE]. But we have what's called a decentralized system where the institutions have leeway to package financial aid for students who are eligible to try to maximize the affordability for each one of those students. So the institutions just have to promise to award the aid fairly in the [INAUDIBLE] against any institution any purpose that the student will use it for educational purposes. So it would have to be something [BUZZING NOISE] educational purposes as well as it has to be something [INAUDIBLE] supplies and expenses they have to have to certify-

- and the student has to certify that they're going to use it for educational expenses. And then we go through an audit process. They send us the names of the students who are determined to be eligible. We make sure that they are eligible. And then in the fall of every year we have a financial aid officer who visits each one of those institutions and go through an audit procedure with them.

CLEMENTS: [00:14:42] All right. So each of the colleges is allocated a dollar amount. It's not just first come first serve.

MIKE BAUMGARTNER: [00:14:49] That's-- that's correct.

CLEMENTS: [00:14:50] And is-- are all of them participating using all of their allocations?

MIKE BAUMGARTNER: [00:14:55] Yes, yes, they are.

CLEMENTS: [00:14:56] Thank you.

STINNER: [00:15:00] Any additional questions? Seeing none, I have to ask a question. Do you keep statistics as to the-- you're talking about financial stress, kids leaving college, really starting to snowball in some of our institutions, do you keep records on that? Could you give us some numbers?

MIKE BAUMGARTNER: [00:15:21] Well, we have retention information, year-to-year retention. We don't track the students on the term-by-term basis in our office. We don't-- that-- that's done at an institutional level. So Senator Kuehn would be speaking from his experience at-- at Hastings College what-- and watching that I'm-- certainly my colleagues here from institutions would be able to give you statistics on-- on-- on students and then the stresses that they are feeling. We keep track

of borrowing, we keep track of retention and graduation rates. We are printing out in two weeks-- we have a statutorily required progress report that looks at student preparation, student entrance into college, retention rates, breaking that down by all kinds of different categories using-- using federal statistics for the most part but some in partnership with NDE. So in terms of-- in terms of stresses, you know, some of that it's going to be anecdotal in Nebraska. Other-- a lot of that is done by national surveys, if you're looking at-- at hunger statistics. And there are-- there are some sources in Nebraska that I think we may have opportunities to tap going forward. A partnership between an organization called Strada-Gallup that ask students these questions, but that's getting off the ground. So I don't have specific information on each individual students, but we've got a lot of-- a lot of aggregate information on [INAUDIBLE]--

CLEMENTS: [00:16:53] I was just wondering is there a reluctance by students to take student loans?

MIKE BAUMGARTNER: [00:16:56] Historically, yes there is, especially among certain populations who are unsure of-- who are unaccustomed to borrowing, first generation students are often singled out as a group that is less likely to borrow. They may not have the cultural history of borrowing. They tend to be lower income and look at \$5,000 and that's a great source of stress. So those students will end up working additional hours which lengthens their time to get a diploma and lead to dropping out. So yeah, there are-- there are national studies on what the attributes of students are who are most inclined not to borrow. I don't have anything specific to Nebraska because that gets-- it gets down into a level of surveying that it would be very expensive for us to try to do that.

CLEMENTS: [00:17:49] OK, thank you.

STINNER: [00:17:50] Any additional questions? Seeing none, thank you.

MIKE BAUMGARTNER: [00:17:53] Thank you.

SEAN KELLEY: [00:18:08] Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name Sean Kelley, S-e-a-n K-e-l-l-e-y [LOUD BUZZING NOISE]

STINNER: [00:18:18] We got to pick you up on the mike.

SEAN KELLEY: [00:18:18] S-e-a-n K-e-l-l-e-y, here {BUZZING NOIZE} today as registered lobbyist on behalf of Creighton University--

WSHART: [00:18:18] I'll stop pushing the button. [LAUGHTER]

SEAN KELLEY: [00:18:18] --on behalf of Creighton University in support of the Nebraska Opportunity Grant program. In addition, my testimony is also supported by the Council of Independent Nebraska Colleges which is comprised of 13 institutions, educating over 35,000 students annually. Creighton University supports Nebraska Opportunity Grant program because it is important to the state in Nebraska to support all students seeking postsecondary education. Brief background on Creighton University: we were found in 1878. For the 16th year in a row, Creighton has been named the number one Midwest regional university by "U.S. News and World Report." We're the only university in the country that offers eight health profession-- professions programs: dentistry, nursing, medicine, pharmacy, occupational therapy, physical therapy at Mercy, management services, and public health; along with our arts and sciences, business and law programs. Creighton's graduate outcomes have a tremendous impact on the state of Nebraska, and they also further our brain gain. Creighton graduates have an overall success rate of over 95 percent. Upon graduation, 55 percent of Creighton graduates are employed, 33 percent of them move on to

graduate professional school programs, another 7 percent volunteer in federal programs.

Historically, over 50 percent of our graduating classes have stayed in Nebraska, and considering 62 percent of our population comes from outside the state, we are contributing Nebraska's brain gain.

In short, Creighton University graduates have very positive outcomes. While Creighton has experience reduction, the Nebraska Opportunity Grant of almost 50,000 over the last six years, it's still an important funding source for our neediest Nebraska students. For the 2018-19 school year, 93 students at Creighton received NOG funds, but unfortunately that is only 40 percent of our NOG-eligible students which is over 230 students. Because Creighton chooses to award these funds to those students with the highest need, NOG is essential in helping these students afford their education to help keep these needy Nebraska students in Nebraska. And contrary to popular belief, Creighton enrolls a lot of local low-income students. NOG assures the neediest students in Nebraska would continue to have the opportunity to attend the postsecondary institution that best fits their needs. This grant provides access to institutions for many of these students. I'd also like to take this opportunity to ask the committee to consider additional funding to NOG as opposed to instituting the Nebraska talent scholarships. Creighton supports the concept of Nebraska talent scholarships, but urges the committee to include all of postsecondary education developing key work force areas in our state. With that I'd be happy to answer any questions you may have.

STINNER: [00:20:54] Any questions? Senator Dorn.

DORN: [00:20:55] If I understood the previous, they administer or determines who gets all of the opportunity grants, so--

SEAN KELLEY: [00:21:04] That's right.

DORN: [00:21:04] Even at Creighton they make that determination.

SEAN KELLEY: [00:21:08] That's right. And then Creighton's financial aid office has the opportunity to allocate those funds to their students that are in need.

DORN: [00:21:14] OK.

STINNER: [00:21:17] Additional questions? Senator Erdman.

ERDMAN: [00:21:18] Thank you, Senator Stinner. How many students does Creighton have?

SEAN KELLEY: [00:21:23] There's 4,500 undergrad, and about 8,600--

ERDMAN: [00:21:27] Including--

SEAN KELLEY: [00:21:27] Including graduate and undergrad together. So 4,500 and 4,000 approximately.

ERDMAN: [00:21:33] So, 8,600 total?

SEAN KELLEY: [00:21:33] Yeah.

ERDMAN: [00:21:33] Thank you.

STINNER: [00:21:35] Additional questions? Seeing none, thank you.

SEAN KELLEY: [00:21:47] Thank you.

STINNER: [00:21:47] Any additional proponents? Seeing none, any opponents? Seeing none, anybody in the neutral capacity? Seeing none, that concludes our hearing on Agency 48, Coordinating Commission for Postsecondary Education. We will now open our hearing on Agency 50, Nebraska State Colleges.

PAUL TURMAN: [00:22:23] Good afternoon, Chairman Stinner, members of the Appropriations Committee. My name is Paul Turman, and that's spelled P-a-u-l T-u-r-m-a-n, and as of January 2, I became the Chancellor of the Nebraska State College System. I appreciate the opportunity to be able to visit with you this afternoon about our budget priorities to help serve the 8,200 students that are served by the Chadron, Peru, as well as Wayne State Colleges. As a form of, kind of, background of introduction to myself, prior to coming to this position, I'd done very similar work in South Dakota having worked for the South Dakota Board of Regents and most recently having been the Chief Academic Affairs Officer for that system for more than 12 years. When I ended my run in that position in December, it ended a long-term commitment of Turmans where more than 45 years of service to the South Dakota Board of Regents. One of the things that I was routinely asked, as I chose this position, was why transition down to the state of Nebraska? And so what I'd like to do here in my testimony this afternoon is try to highlight the three main things that certainly were influential in me making this choice to come to the Nebraska State College System, as well as working here in Nebraska. And it's tied to our ongoing mission to maintain the open enrollment environment that we have and ensure affordable opportunities for four-year degrees. The commitment I think from the state of Nebraska to continue to fund higher education, as well as the student success and partnership initiatives that our system has-- has under way as well as what I'd hoped to be able to continue to advance moving forward. So let me start with an overview of our open enrollment and affordable degree program options at the university-- or the state system provides. I think from my own personal experience as a first generation student, but also having the

ability to go on to an open access institution reaffirms the need to make sure that we have these options available for students in any state around the country. Right now, when you look at federal data about the total number of students that are first generation, it ends up being about 50 percent of the eligible population for moving on to college. Unfortunately, when you look at a entry freshman class, only about 30 percent of that population eventually ever emerges. And so one of the unique things about the Nebraska State College System is that in any given entering class about 47 percent of our students come from first generation families, and about 36 percent of those students are coming with Pell eligible, so they're high-needs students. I think the low-income families and the questions that were asked here earlier in the first presentation; have we hit some sort of benchmark? Have we hit a threshold? And what we see oftentimes with these families is that they are oftentimes unable to meet the expected family contribution and be able to send their students forward to institutions. There tend to be very highly debt averse, while at the same time they limit their array of postsecondary options when you don't have a second tier, four-year institution capacity to be able to send those students to. So really the role of the State College System is to make sure that there is a cost-efficient model for students who want to go on to get a four-year degree and they have the capacity to be able to do that. And the state funding that you provide helps accomplish that. The second area of interest is the overall commitment that the state of Nebraska continues to make toward higher education. So I'd like to put this within context. So I moved down here from South Dakota about two and a half months ago. I have a twin son who just graduated last year, went to the University of Mary in North Dakota in Bismarck. And so he had asked me a couple of weeks ago what has the transition been like? I walked him through that. And I said, you know, everything's been going well, but it's a lot colder down here than I anticipated it being. And he said, so you're talking to me about it being cold and he had just come from a 40-below degree day with no wind chill. And so I think it's always important to think about weather, think about higher education funding. You think about all these different comparisons within the context that you operate yourself within. And so I ask these important questions: have the cost of college degrees exceeded

the return on investment for students? Have states-- have the contributions from the states also gone down as a result of what you expend? In addition, have federal and state investments declined over the past decade? One of the most recent reports that I've been able to find, the Center on Budget and Policy Priorities has indicated that when you look at spending per FTE, or spending per student, and you try to adjust that for inflation dating back toward when the recession occurred in 2008, there's only three states in the country that have done better than the state of Nebraska and that's Montana, North Dakota, and Wyoming. It'll be interesting when new data comes out in the next few years to see if we've held the course and whether or not North Dakota and Wyoming have fallen back because of the impact on natural resources in those areas. But Wyoming, just as an example, over the 10-year period has seen a 10.9 percent increase in general fund expenditures at a rate of about \$329 per student. Nebraska was fourth overall at 0.2 percent growth. So there's still a sense of growth at \$22 when adjusting for inflation. If I compare the state just to the south of us, Kansas, what you see is they're 27th in the country; they've lost 23.8 percent of their overall general fund per student allocations at about \$1,791 per student. And so, you always have to answer it within the context. I think the one thing of coming from a state like South Dakota that has been very conservative, while we haven't had huge bumper years of great investment in higher education, we also haven't had huge downturns. And so, as we look at the conservative approach that this state has taken, I think one of the things is maintaining that 60-40 distribution: state funding at 60 percent of the total costs for a student and 40 percent coming from the student themselves. Look at our overall net price, and that's one of the important indicators that I'm going to continue to work with my new board of trustees to be thinking critically about as they set tuition rates. So you have two different things: total cost of a degree. And total cost of a degree captures everything that the feds put into how a student pays for what they have in a given year, and that's tuition, it's fees, it's room and board, it's textbooks, and other supplementals that they incorporate. Right now, our average costs for students in the State College System is one-- \$18,700. What's also important is they calculate a net price. And that net price is the subtraction of the total grant and aid that's been able to be given

by an institution to help lower the overall cost. And right now our average grant and aid is about \$5,600 which brings the total net price to a student at \$13,000 a year. I think that still is a very affordable deal when you compare, around the region, that right now it's very difficult for, I think, a Nebraska student to find a more affordable four-year degree option than what they are getting with what we're able to provide. And we're doing a lot of things in our system to continue to make that cost, so tuition and fees net price is one thing, but if you can get a student in and get them to finish in four years, get them to finish in 3 1/2, make sure that they're on path that only-- all your degree programs are 120 credit hours. Encourage more students take dual-credit opportunities and pathways and they'll come, be able to advance those credits toward the degree, and be able to finish on time or finish early and save additional dollars. We also have addressed inefficiencies within the system. I know that last two years, unfortunately, we've had to face cuts similar to the university system, and the community colleges will speak to this as well, but we've eliminated a lot of duplication by our-- in our personnel, especially in the areas where we've tried to address regulatory requirements that we have. We've lowered software expenditures by leveraging the buying power of our multiple campuses. We've collaborated with the university system on a number of different shared systems like NeSIS and SAP to address our common goals. And we're also looking at other ways to engage in those conversations as well. And we've produced utility cost savings through geothermal investments that have been made by this state. The last main section, before I talk about the budget priorities, is really just what I think that our system does for student success and improving the partnerships and the pathways. Really what you expect us to do as that middle entity to bridge the community colleges to us and then ultimately to students who eventually move on to the university system. This last year in the fall, we had 8,218 students as our general headcount for the system. That was a modest decrease from the previous year. When you look at just total FTE it's at 6,087 students, which is 0.7 decrease from the previous year. Across the last decade, we've seen about a 3.2 percent decline in our overall enrollment, but have done a nice job of trying to hold that as steady as possible within the state. And what I think is important is that we produce 1,791

graduates last year to feed into the workforce of this state. And it ends up resulting in about one-third of the total-- or one-sixth of the total four-year degree graduates that we produce in this state. We are doing a lot on the forefront of partnerships and making sure that academic programs that we have align with each one of the different sectors. The rural-- the RHOP program, the PHEAST program that feed students into UNMC. We have a variety of 2+2 programs that we continue to expand with the community colleges. We've also begun to develop 3+2 programs where students start with us and they're able to advance and do the final year of a master's degree program to count back toward the undergraduate degree to get done in five rather than a six-year degree program. And we also are doing some very innovative things with the University Nebraska-Lincoln in agriculture and engineering, simply because we know that that's where those investments should be. We also have students who are interested in pursuing those avenues once they're done. What is critical here is, I think, is the broader pathway that we're trying to create for the state when we look at overall attainment. So right now, most states see their benchmark. We need 60 percent of our population needs to have the credentials necessary of a degree of some kind beyond high school or above if we're going to be competitive as a state. Right now, the state of Nebraska is sitting at 46 percent. So we have about a 14 percent gap that we need to achieve before we hit 2025 if we're going to be internationally competitive or competitive with the surrounding states. Only one state surrounding us, Colorado, is actually higher than that. It's at 49 percent. And so I think we have a long way to go, but at the same time we have made significant progress in growing our attainment levels and we all, sectors of higher education, need to be working together to increase the number of students that we have. We've done good things with graduation rates; we're at about 3 percent higher than our peer groups around the country at 65 percent, and we're about 12 percent higher-- sorry, that's retention rates, but our graduation rates are about 12 percent higher than open access institutions as well. So with that said, I think those really are that kind of driving goals that we have as a system. And what we've tried to do is identify across four, kind of, broad areas: ensuring student success, having the right mix of academic programs, making sure that we're feeding the

workforce of the state, as well as producing an affordable education for those students, represent the various options that we've presented as our budget proposal. And we're hopeful that those proposals will create the return on investment that this state and this committee really is looking for. So the three budget proposals: the first one, core needs. I won't spend a lot of time on that. We negotiated a 2.5 percent increase with our various unions this year for salary and benefits. And then we also are expecting about a 5 percent increase. And we're very appreciative of the fact that the committee has adopted those recommendations that align with those two different indicators. And we feel that we'll be able to keep tuition at a very modest level if we're able to acquire those resources. The second major priority is the Nebraska Talent Scholarship really driving kind of the work force development for the state. The program is designed to put in place 250 scholarships for students in designated programs within our system and that will grow 250 scholarships a year for the next four years and a total of 1,000 scholarships by the time we hit the completion of the next biennium. That investment of \$4 million will drive, I think, the future work force of the state of Nebraska. So beginning in the fall-- in the summer-- summer of 2018 and fall of 2018, so before I arrived, our system began this process of engaging with community leaders and stakeholders around the state to identify what are these critical areas. So business and industry, the Department Corrections, Department of Labor, the Department of Economic Development, the State Chamber of Commerce and Industry, and Blueprint Nebraska were all engaged, and through 30 different visits around the state to identify four key areas that were eventually selected by the Governor for this talent scholarship. And that's rangeland management, industrial technology, criminal justice, and computer information systems. And we still work with the Governor to align our degree programs into those four areas and determine what the right classification of those four areas will be down the road. But I think the one thing to note is that this is an extremely important initiative to help drive more in-state students to our system, but to also ensure that more out-of-state students see us as a viable option with a goal of ultimately staying here once they've completed their degree. So Nebraska, right now, as a benefit is a net importer of high school graduates. When you look at the

total number of students that you lose in relation to the total number that you-- that you bring into the state, because of the fine institutions we have, we attract 1,308 more students in the most recent year of 2016 graduates than we lost. The unfortunate thing is we've lost 2,700 students out of that mix. So we've lost, of our graduates that we should be keeping here in Nebraska, they've chosen to go to other states. And I think any state scholarship program designed like this for us, the university system, the community colleges, will help curb that type of transition. The last thing that I'll talk about, and I'll ask Carolyn to pass it out, we have a handout related to the math and science facility at Chadron. One of the things that you'll see in the commitment language in LB297 is an intent by the Governor to commit \$2.2 million of existing bond contributions to rangeland facility in the Conn Library when that expires in 2022 we have language in what I will try to present to you is a overall plan that we have to try to make this project a reality in the short term. As you look at what is being passed out, there's two different pages, and I'll maybe start with this front page here in the upper right hand corner. We feel that there really are some significant advantages not waiting until 2022 to at least get the commitment in the intent from the Legislature. We're not asking for the dollars early, just the commitment and the intent. What we've seen, when this project first surfaced, for our board as a priority it was a \$24 million project. We're seeing about a million dollar increase each year because of increased inflationary cost, and now it's risen itself to about \$28 million. We also know that the bond market right now is very good and that could go up and we'd like to be able to take advantage of that in the short term as well. When you look at the estimated timeline that is presented here, we'd like, if the approval comes from the Legislature for the intent language that is in the governor's bill, that in June-- in July we would go out to designing the project. And then in next March, we would begin the process of going out to bonding. In May of 2020, we would begin construction. And it's a three-phase construction that at the end of August 2022, so prior to the start of the fall '22 academic year, we would have the facility in place. What we're proposing is that using the foundation dollars, institutional dollars, and some commitments from the 309 Task Force to cover the design phase of the project at \$1.4 million, we would ask the foundation and the

university-- or Chadron to be able to put forward the \$2.2 million for the first year of bonding, and then a commitment of 12 years of bonding at \$2.2 million, extending out to 2030 that would allow us to be able to pull this project off with a total of about 75,000-- or 75 percent of the funding coming from the state General Fund and the other 25 percent coming from other sources internal to the institution and some 309 dollars as well. On the backside, I provided what are four, kind of, general areas of why this is a good investment. You all-- a number of you have had the opportunity to make it out to Chadron and see that facility. As you've toured it, I think the need is certainly there. But I know that you expect a return on investment for those dollars. That \$2.2 million is over the course of 12 years. Roughly about \$22 million dollars that you're allocating, you're keeping other legislators, other appropriators the inability to tackle those dollars. We think this will grow the number of STEM graduates that we have, that first, kind of, benchmark on that tree of STEM. When I compare rangeland management, we saw a 30-- or a 28 percent increase in the total number of students in the pipeline in that program alone because of the rangeland facility. If we feel that that will compound, we'll have another hundred more students a year in the STEM degree programs that are fed through that particular facility. On top of that, we're also expecting that just the ability for us to change the student center kind of learning environment. Nineteen sixty-eight, when-- when that facility was put in place, we taught in a very different way. Our faculty delivered the curriculum in very different ways. And we need a new design facility to help them reoffer and restructure the way that they deliver, and also do more hybrid delivery around the community and around the region. We do significant amount of community and regional outreach. We have K-12 teachers who we prepare who then go out and maybe the only science teacher in their district that need the capacity to come back to a facility like this and interact and engage with other K-12 teachers and the ability to bring our K-12 students and get them excited about STEM so that they choose STEM as a degree program and then stay in rural Nebraska once they're done. The last one, I think, is also critically important. We have about 50 percent of the faculty in our STEM fields that will be retiring within the next five years. The ability for Chadron to be able to recruit new faculty

into those positions when this facility is done will be a significant benchmark for us and will help us ensure that we're doing the types of undergraduate research activities with those students once they're there. I'll end my testimony with the fact that you also have made some other existing commitments that are tied with bonds. LB197, the bond repayment to the rangeland in U.S. Conn Libraries something that we still have ongoing commitments for the next two years. LB957 resulted in a new range of projects that we had brought forward to the Legislature in 2016 and we're greatly support-- very appreciative of those dollars as well. You allocate out a sport facility cash funds each year in addition to the 309 Task Force in the money that that entity provides to us just would not allow us to achieve the types of things that we need to on our facilities without that. I hope that you are supportive as things continue. I know that budget times are certainly very tight and you have very difficult decisions to make. But I hope that you can advocate for our core needs. I hope that you can support the creation of the Nebraska State-- Nebraska Talent Scholarship and then also consider the proposal that we have as we begin to kind of work with your fiscal staff to determine what would be the right language to help us go early on math and science. I'll stand for any questions that the committee has.

STINNER: [00:43:21] Questions? Senator Wishart.

WISHART: [00:43:26] I'm remiss in not asking this to the university yesterday, so I'll ask it to you. One of the things that we've weighed with the Talent Scholarship is the fact that if we don't support your utility needs, what ends up happening is while we're targeting scholarships to a specific group of people we may at the same time be raising tuition on everyone else who is attending that school where we've already made a commitment to their education, because they're attending this school and they're planning their budgets around that. Can you speak a little to if-- if the budget stays the way it is and we have the Talent Scholarships and-- and we maintain your budget and your-- with the costs you have can-- can you commit that you won't have to raise tuition?

PAUL TURMAN: [00:44:15] I think with the budget proposal, the core need component that you have now, we would anticipate-- because there's still additional things, similar to what the university system had noted yesterday, it's not covering all of our core need. So we-- we envision a modest tuition increase as it is now. And so I think that would be less than 2 percent is what we're projecting to meet those core obligations that we have. And so I-- I know that we will see the need for some tuition increases. But it keeps us within-- well within the 60-40 parameters that I think our board has been trying to maintain for some time now.

WISHART: [00:44:50] And so then how do you wrestle with that where, you know, it's one of the initiatives that we're working on is-- is "scholarshiping" a group of kids, while at the same time that-- those dollars then which could otherwise potentially go to-- to utilities and-- and hopefully prevent tuition increase, how-- how do-- how do you wrestle with that? I'm interested in that perspective because that's-- that's what we're wrestling with.

PAUL TURMAN: [00:45:17] I think we wrestle with it in the way that, right now, we're hopeful that this is a program that when you begin to target and recruit and try to encourage students that right now may not see postsecondary as a viable option, especially maybe a four-year postsecondary opportunity is viable for them, that this serves as a potential lynchpin to kind of eliminate a barrier that exists there. They may be debt averse, but by reducing their overall expenditure by \$4,000 toward tuition and fees. So if that net price that we have right now is at \$13,000, we're creating a program that makes it viable more at a \$9,000 expenditure per year for those students. When you calculate that return on investment, I think as admission reps and as our counselors begin to work with them, we're hopeful that we can educate them on why this, because of a program like this, this is a pathway that is viable for you.

WISHART: [00:46:18] Because it's my understanding, and correct me-- correct me if I'm wrong, that with the talent initiative we're not targeting that specifically to needs in terms of student or their parent's income level. Do you think that should be a component of this talent initiative that we target those dollars to-- to kids who otherwise financially would not be able to afford a four-year experience.

PAUL TURMAN: [00:46:46] I think the-- the difficult challenge is how to create a-- a decentralized program that the individuals on the ground, the financial aid directors, the people recruiting and trying to bring these students in, have every tool at their disposal to make sure that they have resources to bring to bear. So if you're saying that we would prefer that every student that comes in under this program has a component of need to be eligible for it, I think we are going to lose students outside of the state that have high GPAs. So you want to be able to leverage both of them. And I think that's why we said-- initially when we pitched this proposal, it went through the coordinating commission as a part of our initial budget request. We didn't put a needs base, but knowing that our institutions felt they certainly would be looking at need as they determined how to allocate these scholarships and get the biggest recruitment class in as a result of it being put in place.

WISHART: [00:47:49] OK, Thank you.

STINNER: [00:47:52] Senator Vargas.

VARGAS: [00:47:54] Thank you very much for coming. Congratulations on the job. Can you tell me a little bit about this kind of building opportunity [BUZZING NOISE]. I think that was an omen. OK. So you said that right now, as it currently stands, you'd have about a 2 percent modest tuition increase. That's correct?

PAUL TURMAN: [00:48:21] Yes.

VARGAS: [00:48:22] Can you-- give me in numbers, what is that amount? Two percent could actually look like at the end of the year.

PAUL TURMAN: [00:48:33] Well right now, I know that our current tuition rate for an undergraduate resident student is \$177 per credit hour. And so you're looking at additional increase of no more than \$4 per credit hour for a student. And then multiply that times 30. It ends up being, you know, the compounding from that.

VARGAS: [00:48:57] Can you give me an, in actual dollar amount, not per credit hour, but given the number of students that you have, the average cost of tuition overall last year for all students aggregate, and then two percent increase on that? What would that be? I'm just thinking because you might have some of your people--

PAUL TURMAN: [00:49:16] I don't have it. I don't know. One percent will generate about \$290,000 of tuition revenue for the institutions.

VARGAS: [00:49:25] One percent is \$290,000?

PAUL TURMAN: [00:49:29] Yes.

VARGAS: [00:49:30] OK. And the reason I ask is kind of along the same lines, if-- if we're trying to wrestle between 1 percent or \$290K, 2 percent somewhere to \$600K, but then we're also wrestling with, you know, a scholarship. It is something that is a bit of a sort of an inner dilemma

I'm having with that because I want to make sure that state colleges, which I've advocated for in the past, have-- continue to be affordable. And I'm not yet sure whether or not there is as a causal relationship to keeping somebody here related to those dollar amounts, if that amount, the \$4,000, is actually enough or is-- is the main trigger to then keep somebody here, but whether or not there are other mitigating circumstances that lead somebody to go to a different university? But that's just helpful to know the 2 percent if-- are there any factors that would change you from not-- not increasing the 2 percent tuition increase? Like, if we were just to give you \$2 million just generally instead of the scholarships, would you be able to say you wouldn't give an tuition increase?

PAUL TURMAN: [00:50:53] An additional \$2 million on--

VARGAS: [00:50:54] No, I'm just saying I just give you-- we just give you \$2 million to the state colleges for what you would normally give to aid. Would that be able to curtail the 2 percent tuition increase?

PAUL TURMAN: [00:51:07] I certainly think that that would be-- it would be the appropriate amount of dollars to meet the core needs that we have, yes. I don't know that I want to speak directly for my board, because ultimately they make those decisions. But I would think that the recommendation that we would bring to them tries to align with what-- how do we cover the cost? And if that dollar amount aligned with it, then yes, I would say they would be supportive of not advancing the tuition increase.

VARGAS: [00:51:35] And then, can you tell me a little bit more about your private fundraising, what that looks like? I don't know too much about, you know, private fundraising, foundation fundraising for Talent-related initiatives.

PAUL TURMAN: [00:51:51] I don't have the specific, like endowment amounts, that each one of our institutions. But this last year the foundation, the total giving in relation to our institutions was about \$6.8 million. Four million of that went to scholarships; about 2.2 to capital contributions, and then we had individual grants or contracts of about \$500,000. All total, about 6.8 to the institutions from those three foundations.

VARGAS: [00:52:27] Thank you very much. I appreciate that. That's very helpful.

STINNER: [00:52:30] Senator Dorn.

DORN: [00:52:36] Thank you, Chairman Stinner. Paul, I wrote some notes down here and I guess I have a question. I was interested a little bit, you made the comment that, if I heard you right, state of Nebraska has about 1,380 net gain on students each year. That would leave about, if I heard you right, 2,700 that leave, but then we have approximately, somewhere over 4,000 come in. What are-- or what-- what's your perspective or why aren't we having-- why are the students coming here?

PAUL TURMAN: [00:53:11] I think there's-- there's two reasons and it ends up being probably the two systems. I can just give you a personal example. I noted I have twin sons, one went to University of Mary, one came down here to the University of Nebraska-Lincoln. I think he was attracted to an extremely large nationally renowned institution, and so willing to leave-- and I go back to my former state, we had 500 students a year leave South Dakota and come to the University Nebraska-Lincoln. And so you take that. And then what our system, the State College System that I work for now, Chadron draws a significant number of students from South Dakota, primarily because the net price for an in-state student in South Dakota is far higher than it is to go to Chadron, to Wayne, or to Peru. And so, and I just compare Wayne versus the University of South Dakota or South Dakota State University, it's \$5,000 more net price to go to those two institutions than to

come down south in-- and receive even non-resident rates at Wayne. And those two things are contributing to help bring students in. But I think what you heard from President Bounds yesterday is that of that 27, a large percentage of that are your top students as well. They're being attracted away from-- by other states with very aggressive scholarship programs and whether that's private institutions or public, they are doing the right things to come in and do exactly what we're doing, trying to figure out how do we develop an economic development strategy for the state that keeps students here, because we know they're committed in Nebraska once they finish their degree they'll stay here if we can get them to stay.

DORN: [00:54:58] Thank you for that very much. I, oh, one more question. I believe you, when you turned in some of your remarks you made some comment that in two years you have a bond go off.

PAUL TURMAN: [00:55:07] Yes. Yes.

DORN: [00:55:08] About how much is that for? And the one that-- for the building of the science project, does that kind of in a way replace that or what-- what-- show me-- or talk about some of those numbers, I guess.

PAUL TURMAN: [00:55:20] Mr. Chairman.

STINNER: [00:55:20] Yes.

PAUL TURMAN: [00:55:21] That's what the-- so right now we had, it's in LB197, [BUZZING NOISE] LB197 from 2013 was a bond that we received from the Legislature at \$2.2 million for the rangeland in the U.S. Conn Library at Wayne. And what the Governor has done in intent language

is say commit that-- those dollars come 2022 and what we're requesting is can we go earlier and what we will wait until then and put the dollars upfront on our-- our own.

DORN: [00:55:56] But it's basically almost a continuation of that-- that bonding amount then?

PAUL TURMAN: [00:56:01] That's correct, Senator.

DORN: [00:56:01] Thank you, appreciate that clarification.

STINNER: [00:56:05] Senator Clements. [BUZZING NOISE]

CLEMENTS: [00:56:13] Thank you, Mr. Chairman. We're concerned about keeping students in Nebraska once they graduate. I was wondering what do you-- do you have figures as to what percentage of your graduates stay in Nebraska?

PAUL TURMAN: [00:56:30] Mr. Chairman, unfortunately we do not. And I've already worked, in the short time that I've been here, to try to address that. We had not put in place a agreement with the Department of Labor to be able to track the students a year after graduating to see how many are employed. I know that the university system does that, and then they even go a step further and do the engagement with the Department of-- Department of Motor Vehicle to see exactly which counties that they serve. We have a draft agreement already at the Department of Labor that they're reviewing, and our goal is to begin to collect that data. Because I'm very familiar with being able to drill down and see every graduate from every program and where it is within the state that those students are getting their education, do they eventually go. At this point we do not have that other than survey data from our institutions.

CLEMENTS: [00:57:18] Well, thank you. I encourage you continue-- to pursue that. We'd be interested in that information.

STINNER: [00:57:27] Senator Erdman.

ERDMAN: [00:57:28] Thank you, Senator Stinner. Thank you for coming. In your comments, you had made-- you mentioned the cost versus value. Can you maybe describe for us what you're thinking about in that-- in that realm?

PAUL TURMAN: [00:57:39] You mean by like return on investment?

ERDMAN: [00:57:41] Yeah, when the student comes there, OK, this is what it's going to cost you to get this-- this degree, and here's the value that you'll receive from getting that degree.

PAUL TURMAN: [00:57:49] And I was just-- very good question. I think though, the one thing that is always important to try to articulate to people, especially those that may be debt averse early on, that a \$13,000 a year for a four-year degree will-- certainly there is an expenditure there. And maybe you haven't saved as a family, maybe didn't have the capacity to do that as a family. But when that student graduates, when you compare what you're able to earn over your life span of your career with that degree compared to someone that has a high school diploma only, we see that on our current wages in Nebraska, just did that calculation a day or two ago, it's about \$1.9 million of earnings, assuming that nothing changes, no inflation. And that is about a \$900,000 increase from what you experience if you're just a high school graduate, or even some college but no degree. So that credential is-- is extremely important, and I think it means that without-- without them we don't have the innovative work force that as a state we need for wherever the economy eventually transitions into the future.

ERDMAN: [00:58:57] I looked at some information this last week. I received some information on higher education, what it costs to get a degree. And they were dealing with the fact that if you come to our school this is how much it's going to cost you; this is how much you're going to pay in student loans. The average student loan is this. This is how long it will be before you can buy a house or this is where your student loan payments will be. I sat with the lady at lunch today, and she said her children, her son and her daughter-in-law, are paying \$800 a month in student loans, every month they're paying \$800 a month. I read some information said 70 percent of all student loans are delinquent. And so I guess what I'm trying to get to is when a student comes to your institution and says I want to get a degree in teaching, or whatever it is, I think it behooves us as educators to say this is how much this could cost you; these are the average student debts when they leave; this is what you're going to be eligible or required to pay until whatever time. So you're looking at the cost versus value. You may want to say, maybe I need to do something different. I read another report last week that said junior college graduates, at the midterm in their career, are nearly ahead of four-year degree graduates, because of the situation we're in. Our times are changing and people that we need in the work force have changed some, and we're not focusing, maybe, on some of those requirements to fill some of those needs. But that cost analysis is very important to young people, and especially those young people who are not used to borrowing, their families not used to borrowing. I think it behooves them to say, hey look, if this is going to cost-- you said \$13,000 a year, it's going to cost you \$60,000 when you get out of here. If you have a job, this is what your student debt is going to be and let them make the decision based on the value that they're going to get. So after I said that, what is the average student debt when they graduate from your school, do you know?

PAUL TURMAN: [01:00:53] Mr. Chairman, I don't know the exact number, because the way you look at it within state for IPEDS, it just gives you four-year public sectors. I think the average

student loan for the four-year public sectors within the state in Nebraska, so it includes us in the system, is about \$22,000, \$23,000 a year. The average default rate for that sector, as well, is more around 5 or 6 percent. And so that's the three-year default rate that the federal government tries to track and does reporting on. If you fall outside of that, then you are in peril of maintaining your ongoing student federal financial aid. So, one other thing that you commented, I would agree, there certainly are a number of students that may not know whether they want to go into, that community college technical institute degree programs can provide them a very good high-paying wage in a very short period of time. I think what we oftentimes see though is that-- that in year one, two, three, four is very high over the lifespan of their career, that does not equate in the same way it does with a four-year degree, and it still doesn't equate for those that go on to get a professional degree of some kind. And so, I think what's always important is that we're not trying to silo-- silo out the different sectors. That the community colleges certainly serve a very important function and a student may choose to go there. And if they get into the work force and decide that they want more, then they have the capacity, because I think we put these partnerships in place to make sure that they can move to us, so they can move to the university system as well. I think the one thing to the data point I always point back to for the recession was that when the recession happened, when you look at where the job losses occurred, it occurred in those areas of the associate degree or lower. And where we've grown jobs since the recession, as we've rebounded out of that, have almost exclusively been in the bachelor's degree or higher area. And so I think we would be remiss if-- if we continued to convince people that that's the only path. We need graduates across all three areas. We all need to grow and allow the ship to rise to get to that 60 percent, because by 2025 it'll probably be more in the realm of we need to be at 65 percent of our graduates or our citizens need the credentials if we're going to be competitive as a state.

ERDMAN: [01:03:19] The information that I had read was at the midpoint of their career not their first or second year. So the next question I had, is you're going to build this facility in Chadron. And

there have been several of us who've been there. Where-- where do you propose to build this facility out on the campus?

PAUL TURMAN: [01:03:35] It's actually-- it's a com--it's a renovation of the existing facility in addition to putting an addition of about 15,000 square feet. And so we'll build the new addition and then we'll transition over and then do two phases of renovation on the facility itself. So, it's-- it's right there at that facility you would have toured.

ERDMAN: [01:03:56] Is it going to be hooked up to the same boiler system we have now?

PAUL TURMAN: [01:04:01] It would be, yes.

ERDMAN: [01:04:03] OK. All right, thank you.

STINNER: [01:04:05] Thank you. Additional questions? I have a few questions. One of them is that the, obviously over the last biennium, we cut the state colleges and-- I'm trying to assess, we are trying to assess what-- what outcomes-- what happened to it? How did you make the cut? Tell us how you're doing.

PAUL TURMAN: [01:04:26] Well, I can't give you the finite detail of what they did.

STINNER: [01:04:31] It's unfair, yeah.

PAUL TURMAN: [01:04:32] I do know that we-- similar to the university system, we had made cuts. We've eliminated some programs. We eliminated positions through attrition. And we, unfortunately, had to eliminate positions that had individuals in them. And so those all the time are

not easy decisions for our institutions. And looking back at the history and in reading through previous testimony from the former chancellor, it was evident that things had surfaced. We asked the campuses to begin that-- that process of eliminating the general funds that we were getting and what were the cut areas that they wanted to propose, and those eventually rose up to the board for review. But I certainly get you a much more detailed overview of what those cuts were so that you as a committee can see what had transpired as a result of the cuts over the last few years.

STINNER: [01:05:21] To your knowledge, was there any curriculum cuts?

PAUL TURMAN: [01:05:24] We did eliminate a handful of programs, but we've also expanded and we've not added any new program that have eventually had to go to the commission, but endorsements and career paths within existing programs have been added as well. Yes.

STINNER: [01:05:40] Did any of the cuts affect federal money that you receive?

PAUL TURMAN: [01:05:45] I don't believe so, no.

STINNER: [01:05:46] OK. Back to a tuition question and trends. Your trends have actually been a little bit negative in terms of-- of your enrollment. And you're suggesting that you can raise just a little 2 percent, 3 percent. Tell me where the law of diminishing returns comes in; where you've raised X amount of dollars. Because I just looked at the university in preparation for yesterday. Several years ago, [BUZZING NOISE] in the 1990s, they made the University of Nebraska raise tuition about 25 percent. That enrollment was a precipitous decline in enrollment. And if you take a look at it over a long period of time, it took them 10 years to recover. And I guess some of that talk about tuition-- raising tuition, there has to be a break- even point. There has to be where it really becomes an encumbrance over a long period of time. Do you have a feel for that, right now? It

might be again an unfair question, but--

PAUL TURMAN: [01:07:00] I think I do only because of work that was started prior to the time that I came. And so we have just finished a price sensitivity analysis at our three institutions and have a report that we are working its way to the board to review at the March meeting. And so within that was surveying our students, surveying families who see Peru or Wayne or Chadron as a viable opportunity. And when is it that-- what price point becomes too much and you begin to look at other alternatives? And so I think we are at about the, kind of, tipping point on that price point for a good number of the families that we are serving. Wayne may be a little bit more flexibility there, but that's a report that I know that our board will begin to evaluate in relation to tuition increases that it may have to propose moving forward. Because you want those two things; you don't want to out price-- you know, overpriced yourself in the market and there's a range of public policy decisions that oftentimes change that as well. I know in that state that I've just recently come from, back in the early 2000s, the state legislature mandated that out-of-state tuition would be set at 300 percent of what in-state tuition was. In our overall influx of students dropped down to-- we lose students every year to out-of-state in that distribution. And when that eventually changed, it took a little bit-- took a 10-year period before we finally became a net importer. And so I think it's important to make sure that the boards that-- that you all work with, that I work with, and just better understanding when have we hit those points of diminishing return and when do we need to tweak the policies in the state level policies to make sure that we're doing the right things to keep our institutions viable going forward?

STINNER: [01:08:56] What's the bond rating? Do you know that off the top?

PAUL TURMAN: [01:09:00] A stable.

STINNER: [01:09:01] A stable.

PAUL TURMAN: [01:09:02] Yes. And I think one of the-- one of the benefits of the-- the two-- or the 1 plus 12 proposal that we have allows the-- our institution in our system to be able to take advantage of the A-plus rating that the state has.

STINNER: [01:09:19] OK. But It's not an obligation of the state?

PAUL TURMAN: [01:09:21] It is not.

STINNER: [01:09:22] Make sure that everybody understands that.

PAUL TURMAN: [01:09:25] Correct. Yeah.

STINNER: [01:09:27] Biggest challenges that you're facing right now in your-- as you look at the state colleges, your position, what is-- what's the number one, two biggest challenges that you have?

PAUL TURMAN: [01:09:38] I would say that, you know, our need to continue to grow enrollments, increase those over time. And I think that's why the Talent Scholarship was something that surfaced as a result of dialogue with our presidents with the institutions. This is a mechanism to be able to leverage-- [BUZZING NOISE] leverage state resources as a way to attract more students in. President Bounds talked to you yesterday about remission, and I think we've hit our threshold of how much we think we can remit tuition and be able to use that to attract students. And this would be one of those mechanisms that would help us do that. I think the other thing is-- and even though I think our retention and our graduation numbers are good as it relates to our sector when we compare ourselves to open access four year institutions around the country, I know that there's more

that can be done there. We need to get more students to year two. We get them in the door, we need to get into year two and we need to get them done in four as quickly as possible so they can enter the work force and be able to generate that revenue that I think that gives them the return on investment. But I'm engaged in a strategic planning, kind of, process for our system and going out and engaging and talking with faculty and staff about what is it specifically-- what are the metrics that we need to use to drive our four critical goals for the state of Nebraska?

STINNER: [01:11:01] I wouldn't get too carried away with Senator Vargas' \$2 million either. Any other questions? Seeing none, thank you.

PAUL TURMAN: [01:11:13] I think President Bounds must know somebody, because he-- I don't know that this noise was going on yesterday during his testimony. But thank you all very much.

STINNER: [01:11:28] Are there any additional proponents? Seeing none, are there any opponents? Seeing none, is there anyone in the neutral capacity? Seeing none, that concludes our hearing on Agency 50, Nebraska State Colleges. We will now open Agency 83, Community Colleges. Good afternoon.

EDWARD KOSTER: [01:12:18] Good afternoon. Good afternoon, Chairperson Stinner and members of the Appropriations Committee. My name is Ed Koster, E-d K-o-s-t-e-r. I'm the Milford campus director at Southeast Community College and the Vice President for Research, Planning and Technology. First of all, I'd like to thank the Appropriations Committee for its support of community colleges which receive state aid along with tuition and fees and property tax dollars as the three primary revenue sources. This three factor revenue model ensures that community colleges fulfill their open access mission by keeping tuition and fees affordable to the diverse communities we serve. At Southeast Community College, state aid represents approximately 30 percent of the

college's annual revenue. Nebraska community colleges play a unique role at providing open access to career technical and academic transfer programs. Community colleges also offer continuing education courses, including customized training to meet specific local employer needs. The six community college which produce approximately 73,000 certificate and degree graduates every 10 years, serve more than 62,000 students each year in credit programs, and over 81,000 students in non-credit programs. Most importantly, over 85 percent of our community college graduates stay in the state. Nebraska community colleges produce skilled workers in agriculture, construction, transportation, manufacturing, health sciences, business, and many other high-wage, high-skilled, high-demand careers. These are the same areas where we have a tremendous skills gap with demand being much greater than the supply of skilled workers. Community colleges are in the process of expanding their capacities to address the ongoing skills gap crisis in Nebraska. SCC has partnered with Lincoln Public Schools to establish the Innovative Career Academy that offers up to one year of college credit towards 16 career and technical areas. The program now enrolls more than 500 students, many of whom continue their education at Southeast Community College. SCC also enrolls nearly 2,000 high school students in its Southeast Nebraska Career Academy program that serves the students living in the rural locations throughout our 15-county service area. Southeast Community College also has a partnership with four-year institutions to-- to provide transfer and articulation among students who want to continue their education beyond the community college journey. With aging and limiting facilities constructed in the 50s, 60s, and 70s, Southeast Community College is constructing new facilities to reduce or eliminate waiting lists and expand its capacity in many key areas, including health sciences; diesel, truck, and ag technology; and welding. An example of this is SCC is constructing a new 53,000 square foot diesel technology and welding facility that will allow the college to meet the tremendous demand for diesel technology truck and ag technicians. Although applications for SCC diesel truck and ag programs have risen over 100 percent in the past 10 years, colleges lack the capacity to grow these high-demand programs. Community colleges are a vital part to the Nebraska economy. During his inaugural

address in 2015, Nebraska Governor Pete Ricketts stated the following: We must strengthen our education system. We must make sure our young people have the skills they need to compete in a twenty-first century global economy in particular career and vocational training. Every manufacturer I have spoken to has told me they cannot find enough skilled labor and it's a barrier to them expanding in our state. Community colleges are the solution to addressing this obstacle. However, it requires courage, leadership, and vision to fully invest our resources to ensure we grow our capacities to produce a skilled work force for existing and future career and technical industries. This investment will yield tremendous monetary and non-monetary returns. For every one dollar in investment in Southeast Community College, the taxpayer receives \$4 in return and the student receives nearly \$5 in return. The state also benefits from the many social and lifestyle advancements associated with higher education. On behalf of Southeast Community College, I want to thank you for your ongoing support of Nebraska community colleges. I believe Nebraska has an opportunity to enact positive and long-lasting economic growth by expanding the capacity of our community colleges to produce the skilled work force and affordable access to higher education.

STINNER: [01:16:48] Thank you. Questions? Senator Erdman.

ERDMAN: [01:16:49] Thank you for coming today. So, you're speaking for Southeast Community College. Are the other colleges going to speak or you're going to be the only one?

EDWARD KOSTER: [01:16:57] Yes, there should be other community colleges speaking.

ERDMAN: [01:16:58] OK. I noticed and maybe you have heard about a bill that I introduced to reduce the cash reserve up to-- down to 50 percent of the annual tax asking. Did that-- last two years ago, and I tried it again this year. And I did a review. I reviewed what it was, the cash reserve, what it was in '17, and then I looked again just recently. And in '17, the total cash reserve for community

colleges was \$172,900,000. The cash reserve today is \$231,069,000, which is an increase of \$57 million, or 34 percent. So the Governor introduced LR8CA-- or LR3CA, whatever it was, to restrict local units of government to a 3 percent increase. And community colleges function under the same budget limitations we did as a county. We have a levy lid-- a levy restriction, as well as a spending restriction, How did the community college-- [BUZZING NOISE] -- how does the community college system grow their cash reserve to the amount that has been growing here under the restrictions we currently have in place?

EDWARD KOSTER: [01:18:20] I honestly can't speak a lot to our-- our financial areas. I'm not over the financial aspects of the college. I can do some research on it. I don't believe the cash reserves at Southeast Community College are as high as the average of the other community colleges. But I would have to research that for you, sir.

ERDMAN: [01:18:36] I'll tell you what it is.

EDWARD KOSTER: [01:18:38] OK.

ERDMAN: [01:18:38] Southeast Community College is-- their cash reserve is \$51 million, and that's 96 percent of their tax asking. And two years ago, Southeast Community College had \$41 million. I have a copy of that if you'd like it. But the point I'm trying to get to is we have restrictions on spending lids and we have restrictions on levy lids. How do-- how do those-- how does the community college system as a whole grow their bud-- their cash reserves in the fact when we have restrictions in place? And so to the good news, the good news for you guys, you're down 6 percent. You've gone down 6 percent. The bad news is, you're still significantly over 50 percent. So it is concerning to me. I would-- I would have thought that when I introduced that bill two years ago that the community colleges, the ESUs, the cities, anybody who was listening, would have said, you

know what, this little fat guy from the west may be on to something here and he may put a restriction on us and maybe we need to start cutting back on our cash reserve. But that's not the case. It's increased 34 percent just in the last two years. That's a problem for me. And so, we need to understand what you're doing with this cash reserve. One of the issues that I have-- issues that came up was someone had testified for the junior college system said, we have to have that much cash reserve because of accreditation. Well, let me let me draw the attention to the top one, Central Community College, their reserve in '17 was 49 percent. Their reserve in '19 was 49 percent. [BUZZING NOISE] I would make a guess that Central Community College is still accredited. Would you agree?

EDWARD KOSTER: [01:20:31] As far as I know they are, sir.

ERDMAN: [01:20:32] OK. So the point is, at 50 percent they could still be accredited. So it's an issue. So here-- here's what happens to us is when a college-- a community college has the authority or the ability to do a constructive project for whatever it is in times in which we function in western or rural Nebraska, and it may be such that you've planned to do that and you have the funds to do that, but it may not be the smartest move you ever made, because when you do those kind of construction things in the face of the economy that these people that are paying the taxes are in, it is a very, very difficult position for them to be in. And then they call me and say what is the deal here. So we need to be cognizant of what we're doing with this cash, because people are borrowing money to pay these taxes so that community colleges in the cities and all these other people can have them in a fund that draws two-tenths of a percent interest. It is a problem for me, this cash reserve.

STINNER: [01:21:32] Any other questions? I have a little bit of a question, and this may be a bad question for you. The funding formula, and, you know, we've talked a couple of times over the past

four years about how the funding formula works and I think as long as things were going up, nobody paid attention. When we started to cut things, all of a sudden our weakest members really got cut, I think hurts-- as all small agencies, when you cut them, they don't have a whole lot of opportunities to cut. So how fair is that? Is there some will to take a look at the funding formula as it relates to some kind of base, whereas the smaller folks are--

EDWARD KOSTER: [01:22:24] I'm not terribly versed in the funding formula. I do know the way the current formula works, I do believe some of the smaller institutions receive a little extra of the state aid. I think they have talked about new ways of doing that, but I am not well versed on that.

STINNER: [01:22:38] OK. Very good. Senator Dorn.

DORN: [01:22:41] Thank you, Chairman. And mine might be as much, I would guess, for the committee as you, I guess. I know Southeast Community College levies and collects property taxes for a part of their budget, maybe I'm assuming wrong, but I think then every community college in the state does.

EDWARD KOSTER: [01:22:59] Yes, correct.

DORN: [01:23:00] Does anybody-- well, maybe I'll find out some other way. What, I know Southeast Community College is at-- is 8 or 9 cents of levy. I don't know what the others are around the state.

STINNER: [01:23:13] There is a disclosure of that you can actually-- [INAUDIBLE].

DORN: [01:23:18] You got it? OK if you could e-mail me that.

STINNER: [01:23:24] Additional questions? Seeing none, thank you.

EDWARD KOSTER: [01:23:28] Thank you.

CLEMENTS: [01:23:28] I'd like that also.

STINNER: [01:23:28] Good afternoon.

DAVID KOEBEL: [01:23:44] Good afternoon. Good Afternoon, Chairman Stinner and the Appropriations Committee. I'm Dave Koebel, David Koebel from Metro Community College; D-a-v-i-d K-o-e-b-e-l. I am the vice president for administrative services at the college and move on to take this opportunity to express our appreciation for your support. A few things we'd want to address is certainly as we anticipated an appropriation increase to help us with increasing salary and benefits at the college and also rising operation costs as they spread out. Few things to keep in mind. We are providing additional support for our students in advising and career exploration which is very important for a lot of our students at entry-level at the college and various other things that need developmental, things like that. So, it's various items that will help. Dual enrollment, we have been very involved with dual enrollment as mentioned earlier. Like Southeast, the-- it gives them a head start on college credits and helps students graduate earlier. Keeping our tuition affordable is certainly important in order to avoid student loan debt and encourage our students to stay local where skilled employees are needed. Our biggest efforts have been in the vocational area where skilled students-- skilled [INAUDIBLE] [BUZZING NOISE] are needed. We have our new construction trade construction education center and center for advanced and emerging technology that we've just opened a year and a half ago. This great forward move on technology and skilled students-- skilled workers for our area. The other thing, we're also working on a center for advanced

manufacturing at our south Omaha campus. And also we're going to be working on automotive technology center, so those are the major items that we are looking forward to in the next budget. That is the major items we would like to mention. If you have any questions, I'd be ready to answer.

STINNER: [01:26:01] Questions? Senator Hilkemann.

HILKEMANN: [01:26:06] Where are you putting your auto technology center?

DAVID KOEBEL: [01:26:09] Where? We are building it is at the south campus.

HILKEMANN: [01:26:12] In the south campus.

DAVID KOEBEL: [01:26:12] On the northeast-- northwest corner there. So final-- we're working on final plans.

STINNER: [01:26:19] Any additional question? Senator Erdman.

ERDMAN: [01:26:22] Thank you for coming. Maybe you can answer, you heard my question before, maybe-- can you answer how the-- your college grew their cash reserve by 50 percent over the last two years when you had the budget limitations you have?

DAVID KOEBEL: [01:26:37] Well, one of the things that happens is the capital fund is excluded from the calculations certainly; if that's what you're referring to the capital reserve is in there. So that would be one thing to keep in mind. You can exclude that from the lid calculation of-- of the county budget statement. So we have built up our capital fund for these projects.

ERDMAN: [01:27:03] I don't think this was capital reserves. So, your cash reserve, what do you use that for? What do you use it--

DAVID KOEBEL: [01:27:09] To pay bills. It certainly is a cash reserve.

ERDMAN: [01:27:13] So how far do you draw that down when you're paying your bills? I mean in other words, I've asked people or organizations that question. They say we use our cash reserve because we collect most of our taxes in May and September and it's a cushion to get us through that period. And when I ask for them to show me how much of a cash reserve they used in their budgeting process, [BUZZING NOISE] [INAUDIBLE]. So my question is, how far is it drawn down when you use it?

DAVID KOEBEL: [01:27:41] How far? Well, we've stayed positive, certainly, and we were at-- at the end of the year for June 30, we had \$24 million in our general fund as a-- as available cash because we have a receivable.

ERDMAN: [01:28:07] That punched you to 17? And on the back is 19.

DAVID KOEBEL: [01:28:09] Yes.

ERDMAN: [01:28:16] Yeah, went up 50 percent.

DAVID KOEBEL: [01:28:18] Yeah. And that cash reserve there though would include our capital fund, which is what we're using to pay for the-- to accumulate for our construction projects. These are two major projects we use-- developed-- \$90 million for the first couple buildings that we built, the first three buildings on the Fort Omaha campus. Fortunately, we got half of it donated by local

donors. But now as we prepare for this south Omaha campus, we've accumulated some fund balance and it's a \$43 million project and we are hoping to get half of that donated by local [INAUDIBLE].

ERDMAN: [01:29:02] So, if I were-- if I were to ask you to show me over an annual basis how that cash reserve fund fluctuates up and down, you could do that?

DAVID KOEBEL: [01:29:14] Yes.

ERDMAN: [01:29:14] I'd be interested in seeing that.

DAVID KOEBEL: [01:29:15] OK. Can we work with your offices or something then certainly?

ERDMAN: [01:29:19] Thank you.

DAVID KOEBEL: [01:29:21] Certainly. It's a [INAUDIBLE] always of [BUZZING NOISE].

STINNER: [01:29:29] Additional questions? Senator Bolz.

BOLZ: [01:29:30] I'm sorry, I was in another committee presenting a bill, so forgive me if I'm repeating a question that's already been asked. But I asked the university [BUZZING NOISE] when they-- when they were in yesterday a question that I'd like to ask you as well. Given our certain-- our existing budget times we've had-- talk about being pretty austere, but I do think it's important for us to talk about what the community college system could be doing or might want to do in the future, how you could contribute to the future of Nebraska, specifically as it relates to work force development? And I'm just curious if you have a few thoughts about the role that the community

college system can play there.

DAVID KOEBEL: [01:30:14] I think we have a great opportunity at Metro for-- the unemployment we do have in the state of Nebraska, we have a-- in our area, in the north Omaha area for instance, we would love to give more aid and more opportunities and more-- more support. As I mentioned we need a lot more support for these students. A lot of them, even-- even students you would think are well along or well off and they really still need a lot of developments. It's first time students-- I mean, first in the family in the group going to college. So thing like that, so. That's where we tried to concentrate. Our president is after a lot of donations in that direction to support students and trying to go through our foundation and things like that would be number one.

BOLZ: [01:31:11] Very good. Thank you.

STINNER: [01:31:11] Additional questions?

DAVID KOEBEL: [01:31:11] Thank you.

MATT GOTSCHALL: [01:31:22] Good afternoon. My name is Matt Gotschall, M-a-t-t G-o-t-s-c-h-a-l-l, and I'm the president of Central Community College. And so I'm going to be glad to be able to answer some of your questions that you might have here later. Central Community College, again, also, is very appreciative of any support that the state can give us, and specifically the 2 percent that you're-- that the Governor and you are initially recommending at this time. Every-- every bit helps. Central Community College is located in central Nebraska, 25 counties. And we have 11 different senators that represent some part of our-- of our area. And just looking around the table, I'm pleased to see that none of you do represent us directly, but so this gives me a great opportunity to help educate you a little bit about Central Committee College and how we might be

similar or even different from the community college that you're more familiar with in your area. So again, we serve 25 counties in central Nebraska, which is actually larger than seven states in the United States geographically. We offer over 35 different career technical and academic majors; and some of those are unique in the whole state that no one else offers, including an associate degree in dental hygiene, occupational therapy assistant, heavy equipment operators, environmental health and safety, and quality control technology. So we do offer some things that, we're the only ones in the state. So if you have folks in your district and they're interested in those careers, they're probably coming to one of our Central Community College campuses. Our campuses are located in the cities of Grand Island, Columbus, and Hastings. We have major learning centers where we get to rent or own facilities in Kearney, Lexington, Holdrege, and Ord. So again, good, good cross-section of medium to larger size, in Nebraska comparisons anyway. But yet also supported heavily by the agriculture economy. We have certainly committed-- and our board has for-- for effective and cost effective growth in trying to meet the needs of-- of our-- of our population. So I thought I'd be helpful that I gave you a few statistics about our funding sources as were-- as well as where the money goes. So for example on 20,000-- in 2017-18 we served over 21,000 individuals. That might be through short-term workshops, adult education, credit classes, a variety of different things that we offer the folks in those areas. Of our current year, our budget is primarily personnel, which you'll find that true at any higher education institution, but for us it's 76 percent of our expenses go toward personnel, 20 percent for operating expenses like heating and gas and water and those types of things, 2 percent supplies, 1 percent travel, and 1 percent for equipment costs. The revenue for the current year is 66 percent, based on property taxes. The highest of any percentage of any of the other community colleges, 66 percent-- 66 percent of our funds come from property tax, 16 percent from state aid, 17 percent from tuition, and 1 percent from other revenue like interest or other ancillary services that we provide. So, I believe at one time, I hear stories anyway, and in the 70s or 80s that goal was 40 percent state, 40 percent county, and 20 percent student tuition. So we've stayed-- we've tried to stay pretty true to the student tuition portion of that, but obviously there's

been changes in the-- in the local and state support for that. Since I mentioned earlier that personnel is our largest percent of our-- our expenses, just like-- much like the university or other institutions, our faculty have a negotiating association which by law we need to negotiate comparable wages and benefits compared to other community colleges. So we don't compare ourselves to the university or a four-year institutions, even though we realize that sometimes we are competing for the same professors. There-- if similar to previous years, it runs about 3 percent increase for salary and benefits. So, for us that's approximately \$947,000 and-- that we're thinking that's going to be. We're still in the process of negotiating for next year with our faculty, but if it's like this past couple of years, it will be a little over \$900,000. The two percent increase, if you're-- if this passes and moves forward, just taking 2 percent, in addition to what we received, our portion of that from the state, would be about \$190,000. So you still see there's quite a deficit there. But again, we'll take whatever help you can provide and we're certainly appreciative of \$190,000 more as opposed to only 1 percent or a reduction. So, we've already, as we talk about, and I see Senator Vargas had to step out, when we talk about tuition, we've already made a commitment we're going to raise our tuition 5 percent for this coming year, and that'll raise about \$500,000. So, even if we put 100 percent of the tuition increase, 100 percent of what the state gives us, we're still going to have a deficit in just working to maintain our personnel costs. And-- and again, we will deal with those issues and figure out how to-- how to make it all work. But again, our other source, as I mentioned, is property taxes. So, we do take seriously that we are-- our board wants to keep or drop our tax levy every year that it's possible, but it is a three---- three-- three-tiered leg there in terms of how we pay our bills, but we are committed to working to do that. Also in central Nebraska, for the first time last year, our valuations actually dropped, which again means that we had to look at other revenue sources there or-- or increase the levy if we want to kind of keep the same amount at least. So again, but in total, all of our community colleges are working to try to address the work force development issues. We've gotten tremendous support from our local communities. Some of the things that you might be bringing up later, in terms of talking about reserves and investments, we just opened a \$23 million

facility out in Kearney, where over \$10 million of that was raised from private funds. Some of that locally, some of it coming out of Omaha and other locations. But again, our local communities do support investing in our-- in our communities. Our Hastings campus is undergoing about \$10- or \$11 million project. We've raised over five and a half million of that through private funds as well. And so we're trying to address your-- your question, Senator, I-- we were interrupted by the construction, so I didn't hear what our new rate was. But-- but similar to the previous answer, if our reserves went up, and they may have, but-- but maybe why they dropped was because of how we do construction projects. So for example, as I mentioned, in Kearney it's going to be about \$23 million project. We knew that we didn't-- we can't go out and collect even half of that in one year. So we'd put away \$3 million; next year allocate another \$3 million; next year allocate another \$3 million; and eventually we came up with the amount that we were able to contribute towards part of that project. Now the good news is that it all gets spent out within about a year or two so that-- so depending on when you're running those numbers might show why there is a build and then there may be a pretty drastic drop. And obviously, there's reserves too. We do some things, if we have a-- if we have a faculty member or an administrator leave mid-term, we may not fill that position for the rest of the year. We plan on filling it by the next fiscal year. And so money that's unspent, we put it towards reserves, but we really can't reallocate it completely all the time because we do-- we know we need that faculty member, so we need to keep it in that budget. But for that year we-- we got to-- we were able to save some money and put it in our reserves. Which then we generally go back and put it towards some other equipment, invest it into some student-- student furniture maybe, there may be some one-time expenses that then we can-- we can say we have money this year because of these-- these leftover dollars for-- from these open positions that we can reinvest in some needs that we normally wouldn't take care of. We may just say, yeah, well, get by with the same old broken desk you've had. So anyway, so that's a little about how we use our reserves, in addition to as you said, you know, from the county we have, twice a year that we get-- get the money from our tuition, for the most part it's twice a year, spring and fall, and then even from the

state, I believe we get-- it's over 10 months-- I believe, if anyone knows, I believe that's what my CEO--my CFO told me that we get it over 10 months in payments there. So there are two months there where we're not getting the state-- state aid portion of that. And then obviously there are times, like last year, where that had to be cut back. We had projected or thought it maybe was going to be a 2 percent increase, and instead it was only a 1 percent or wherever that ended up being. And so, and rather than trying to make mid-year cuts of laying off faculty or cutting programs we were able to dip into reserves to get us through that year and to make up for any shortfalls that the state might have to do because of the state's budgets. So again, in closing I would just also say I put a paragraph in there just about some of the things I think you should be proud of in terms of the community colleges. Central Community College has earned the "Best for Vets" by Military Times. And it's about the sixth year in a row that we won that award for community colleges. So at this-- this group is saying for Military Times it represents all branches of the military, says we are the best community college in the nation. That's right here in central Nebraska. And we don't have a-- have a major seaport and we don't have a major naval base or things like that maybe some of the other community colleges across the country have. But we really serve our veterans well and they have recognized it for this very-- recognized us for that. We also recently got a gold star ranking from the G.I. Jobs group as well. We also are-- are aggressively-- received national grants. We've gone after National Science Foundation grants and we've received those for instrumentation, which is a form of mechanical mechatronics curriculum, as well as in our STEM areas. We also have major grants, government grants to help us in our health sciences areas. And we've even led some of the consortium efforts with our other community colleges by serving as the fiscal agent for that and the manager of the grants, but yet our partners include many of the community colleges in your districts as well. So again, we do have a very good working relationship with other community colleges and glad that we're able to be part of the solution of our work force needs.

STINNER: [01:42:42] Thank you. Questions? Senator Erdman.

ERDMAN: [01:42:45] Thank you, Senator Stinner. Thank you for coming in.

MATT GOTSCHALL: [01:42:47] Sure.

ERDMAN: [01:42:48] Your community college is accredited, right?

MATT GOTSCHALL: [01:42:51] Oh yes. Uh-huh.

ERDMAN: [01:42:51] You're accredited? And you've been able to hold the line on a 49 percent cash reserve, I appreciate that. Unless people think that I'm opposed to community colleges, I think, in my opinion community colleges, are the best bang for the buck. And the information that I read last week confirmed what I said. And I do appreciate that. But, the fact is that you can do it at 49 percent, the others could as well. And I'm-- I'm a little concerned about how the funds are managed. But you're an example of how to do it right. And I appreciate that. Thank you for coming in.

MATT GOTSCHALL: [01:43:25] You bet. Thank you.

STINNER: [01:43:28] Any additional questions? Seeing none, thank you.

MATT GOTSCHALL: [01:43:31] OK. Thank You.

TODD HOLCOMB: [01:43:39] Good afternoon, everyone.

STINNER: [01:43:41] Good afternoon.

TODD HOLCOMB: [01:43:43] My name is Todd Holcomb, T-o-d-d H-o-l-c-o-m-b, president of Western Nebraska Community College. The Nebraska community colleges funding formula is not working. After years of discussion from FY'08 to FY'10, a new funding formula was implemented. From 2009 to 2012, Western Nebraska Community College returned approximately \$972,000 in state aid to be redistributed to other community colleges. Since 2012, with the low of \$11.5 million in state aid, the average increase for WNCC has been 1.24 percent. We received \$12.6 million in FY'09, our largest amount of state aid. Ten years later in FY'19, we received \$12.5 million, a decrease of 0.7 percent from FY'09. Anyone with experience owning or running a large company will tell you that in present times information technology costs alone can increase to the tune of \$30,000 to \$50,000 a year, not to mention the continued rising costs of healthcare insurance. Ours is projected to go up 7.5 percent next year and salaries to attract and maintain quality faculty. When looking at the amount of state aid, property taxes, and tuition, it is clear that our taxpayers and students have been covering our costs. WNCC has the highest tuition and fees rate of \$117.50 per credit hour of any community college in Nebraska. Additionally, the Nebraska Panhandle is also burdened with some of the highest property taxes in the state. WNCC students pay on average \$50 more per credit hour per course than several-- excuse me, pay \$50 more per three-credit-hour course than other community colleges in the state. This seemed inequitable and unfair for our students. With a downturn in farm economy and the loss of Cabela's in Sydney, WNCC saw a significant loss of property tax valuation in our counties. But the sale of Cabela's to Bass Pro Shops, we carried an accelerated business certificate option to help former employees with retooling. WNCC also created the innovation entrepreneurship center on the Sydney campus that leverages partnerships to offer opportunities and entrepreneurship for those affected leading to revenue generation in the state and more importantly new hope for the residents of Sydney and the surrounding communities. WNCC listens to the wants and needs of our students and business leaders and we responded by introducing in demand programs and classes such as advanced manufacturing, applied agriculture, cyber security, medical laboratory technology, and surgical technology. Wall-to-wall career academies at

Scottsbluff and Gering high schools are trailblazing the way for new concepts in education. We are there with them every step of the way providing college level credits, advising, and support. Additionally, we're in the process of providing outreach and advising to middle school students and their parents for the next year. With the last round of budget cuts, WNCC has reorganized and eliminated positions. We're getting by. But without additional resources we run the risk of cutting programs and services which could in turn impact the welfare of our students and our residents, not to mention state revenues which could go further reduce our state aid. We are the only option for low income first generation students because unlike residents elsewhere in central and eastern Nebraska, our residents don't have the luxury of choosing and traveling shorter distances to get to a four-year institution or trade school. Our competitor 30 miles to the west of us in Wyoming recently built a \$23 million career and technical education center. We're constantly in jeopardy of losing Nebraska students to Colorado and Wyoming. Our sister states of Kansas and South Dakota have heavily invested in community colleges. In 2012, Kansas started paying for higher-- Kansas started paying for a-- for high school students to take classes in career and technical education where technical school enrollment has swelled. While South Dakota implemented the bill, Dakota Scholarship Program, for students received full ride scholarships and dedicated areas including all books, fees, and related expenses. Nebraska cannot afford to lose any more students to neighboring states. In short, the community college system needs more money and support in Nebraska. Without an additional \$4 to \$5 million dollars, we were unable to convince other community colleges to rework the funding formula. The Nebraska Community College System is the best return on your investment. Eighty percent of our graduates stay in the state. I encourage you committee members to continue to explore options to expand the state budget for community colleges. I appreciate your time and consideration and any support you can give community colleges. I'll take your questions. First, maybe, I'll answer Senator Erdman's question before he asks it of me. We're currently in the process of spending down our reserves. We're scheduled to spend down our reserves \$2.2 million. We're doing an \$18 million renovation of our main campus. And we continue-- we'll continue to

spend that money down as-- as we can with that. We're planning on doing that. Now that we're halfway through the construction, we have a better handle on where we're at and there doesn't seem to be any surprises for us. Also too, you know, the Governor has proposed scholarships for higher education. And I would like to note that community colleges, as a whole, as a system, enroll more students than any other higher education program in the state of Nebraska. And it seems that there should be equal share of scholarship money for all the institutions at that same level. And with that I'll take any questions that you might have.

STINNER: [01:49:49] Senator Erdman.

TODD HOLCOMB: [01:49:50] Yes, sir.

ERDMAN: [01:49:51] Thank you, Dr. Holcomb, for coming in. I agree with you on the community-- on the scholarship.

TODD HOLCOMB: [01:49:57] Yes.

ERDMAN: [01:49:58] You're getting the short end of the stick because as you said you have a lot more students and you're getting-- what, you get a million bucks? So that what it is?

TODD HOLCOMB: [01:50:09] The other inst-- entities are getting a million bucks and we're getting \$250,000.

ERDMAN: [01:50:13] Yeah. That's-- it's difficult. So in your comment you said that. Four-- I think--

TODD HOLCOMB: [01:50:21] Four counties.

ERDMAN: [01:50:21] Four counties valuation went down, what is your overall valuation? Did it go down?

TODD HOLCOMB: [01:50:26] No, I think the overall valuation was in between that two-- about around 2 percent, a little higher than 2 percent, like 2.2 something overall valuation.

ERDMAN: [01:50:38] Increase?

TODD HOLCOMB: [01:50:39] Yes.

ERDMAN: [01:50:39] And your mill levy, is it staying the same?

TODD HOLCOMB: [01:50:41] No. Our mill levy went up last year. We're the highest property tax levy in the state at 9.89 percent.

ERDMAN: [01:50:51] Several years ago you were 10.5, is that correct?

TODD HOLCOMB: [01:50:53] Yes.

ERDMAN: [01:50:54] And you're not-- what are you right now?

TODD HOLCOMB: [01:50:57] 9.89.

ERDMAN: [01:50:59] OK. 9.89. All right, but I would agree with you on the scholarship thing,

and--

TODD HOLCOMB: [01:51:05] I tried to say that a nice way, how did I do?

ERDMAN: [01:51:09] I think you were--

TODD HOLCOMB: [01:51:10] I do well.

ERDMAN: [01:51:11] You're very respectful.

TODD HOLCOMB: [01:51:13] Thank you.

ERDMAN: [01:51:14] I may not have been that respectful, but I understand, I get it.

TODD HOLCOMB: [01:51:17] I was not respectful in our community college meeting, Senator.

ERDMAN: [01:51:22] I understand. But-- but you know this better or as well as I do that you live 400 miles from Lincoln.

TODD HOLCOMB: [01:51:30] Yes.

ERDMAN: [01:51:32] A lot to be said for that. The money comes down here. It has a hard time getting all the way back.

TODD HOLCOMB: [01:51:38] I think the funding formula-- Greg Adams and I have talked a lot about this. I think when the funding formula was reworked, I think it could have worked if

community colleges would have continued receiving funds through the years. But as you are well aware, community colleges get a hundred million, then we're cut back. We get \$98 million, we're cut back. And right now, we're fighting to-- we're fighting growth. We're fighting enrollment issues. And we're not able to-- you think you're allocating 2 percent to community colleges. We don't see that 2 percent because of the way the funding formula is created. And there's no doubt, Senator Bolz, you're absolutely right. I mean, I get more calls now about students who are completed. I-- last year, I got calls about IT-- every one of our IT graduates had a job when they walked out. I got calls about IT, I got calls about accountants. I got calls about an English major, because there is a business who wanted to have a person who could write a newsletter for them. You know, we have jobs. Our applied agriculture program, our applied technology program, our aviation program, every one of those programs had 100 percent placement last year. And so there's no lack of opportunity for the students coming into community colleges and getting a job in western Nebraska. Part of what also happens in our area is that we battle the front range of Colorado. And there's a lack of skilled, trained workers there. And also, I talked about Kansas and South Dakota. But I just found out that the state of Wyoming is now allowing the Hathaway Scholarship for technical education and the University of Wyoming is offering in-state tuition for any out-of-state community college graduate that has a 3.4 GPA or higher. So our students don't mind going to the University of Wyoming because it's closer to home for them.

ERDMAN: [01:53:48] I agree. So as we go forward, we can expect you to work that cash reserve lower?

TODD HOLCOMB: [01:53:51] Absolutely.

ERDMAN: [01:53:53] And would you be uncomfortable if you got down to \$6.5 million?

TODD HOLCOMB: [01:53:57] I'd have to go back and we-- we're shooting for 4 percent-- four months of operating funds. So that's what we're shooting for. That seems a little low to me, but certainly I'll work with you on getting it lower.

ERDMAN: [01:54:12] I appreciate it. So one question that I've asked and I've never got an answer for. How much does the extracurricular activities: golf, and baseball, and basketball, volleyball, what does that cost to the school to do that? What's it cost your school to do that? What's the net gain and what's the net cost of that?

TODD HOLCOMB: [01:54:32] Well, to me I'd rather talk about the net gain.

ERDMAN: [01:54:35] OK. However you want to talk about it.

TODD HOLCOMB: [01:54:36] OK. For us, those are the students that come to live in our residence halls. Those are the students who bring a diversity to our campus life. For some of you that don't realize, our campus is really a very, very diverse campus. Twenty-three percent of our students are Hispanic. We have a hundred international students, approximately a hundred international students. And we're able to, in our total number of students who represent some form of diversity, is almost 30 percent for our campus. So it's really good. In athletics and our performing arts area for us, we provide the intellectual outlet for the performing arts, the visual arts, and the athletic-- I'll say the athletic arts. So for example, we had a game against North Platte Community College and there were over 600 people in our coliseum. Those opportunities are great opportunities to bring together our community, to see our college, to value our college. You know, recently we did a study and it looked-- we're looking at our fundraising potential and opportunity. You know, 94 percent of our constituents, we surveyed 154 individuals across the entire district, 94 percent of our constituents thought of the college favorable or highly favorable. And part of that, I think, is the

opportunity that we have to provide the athletic programs as entertainment, the performing arts programs, the plays, the opportunities to-- to pull that together for western Nebraska that you would not have the opportunity in eastern Nebraska.

ERDMAN: [01:56:23] Thank you.

STINNER: [01:56:23] Senator Bolz.

BOLZ: [01:56:25] Can you explain to me what you mean when you say without an additional \$4- to \$5 million we will be unable to convince the other community college presidents to rework the funding formula. I'm sorry, I just don't follow your logic.

TODD HOLCOMB: [01:56:37] You know, the last two years, when we entered into the agreement for the community college funding model, there was a gentlemen's agreement that we would revisit the model if it wasn't working. And roughly, we'd been working-- the community college presidents, including Metro Community College, have been working on this for the last two years. Pretty much it has gotten down to the other community college presidents saying, well, we need additional funds to make up for any shortfall that we may have. And so, and I've been told repeatedly over and over again that we need additional \$4- or \$5 million for us to rework the funding formula. I think what I'm finding out in the funding formula is the fact that-- that Paul Illich, who is the president of Southeast Community College talked about-- in small schools may need to have a supplement. And so, no community college wants to go backwards or wants to lose money, but I think at the time when I agreed to the current funding formula, we didn't need that additional million dollars at that time. But that was predicated on the idea that we would continue to receive funding and that our enrollment would continue to grow or at least stabilize. So that's where the \$4- or \$5 million comes from is that, you know, I need-- I need your help in getting people to

the table and start talking about this because it's becoming an issue that I have not been able to get the community college presidents to understand what's happening with us.

BOLZ: [01:58:16] So, I'm going to translate that--

TODD HOLCOMB: [01:58:18] Yes.

BOLZ: [01:58:19] --to make sure I'm understanding it. I think what you're saying to me is that there's no-- that you don't think there is opportunity for progress with a budget neutral strategy that in order to have a conversation about a fruitful rework of the funding formula you're going to have to work with a higher dollar amount. Is that what you're saying to me?

TODD HOLCOMB: [01:58:38] I think that would be reasonable. You know, I think that over the last two years, we've laid the groundwork for some of those reasonable conversations. But we always get to this one point where it says we can't go any farther because we don't want to lose money. And I need someone's help in moving that discussion forward, because currently, right now, you know, I read in the paper this morning about Hank Bounds. He would be happy with the 3 percent increase. I find it, you know, University of Nebraska yesterday, Western Nebraska the smallest community college today, right? And he would be happy with the 3 percent. I would do backflips for 3 percent increase. Now, I'm get to the age where it might be hard, so we might have to settle for a round-off or something. But, you know, it's-- what I'm laying out for you is the case that the current funding formula isn't working and the gentlemen's agreement-- what's also happening too is we're having a turnover of presidents. I'm second oldest president that's serving in the state. And so as the new presidents are coming in, there's not a commitment to go back and examine the funding formula that was decided back in 2010.

BOLZ: [02:00:08] Fair enough. I recall-- I'm starting to sound like the old lady in the committee, so forgive me, committee, but it seems like this is a perennial conversation that we have about reworking the funding formula and I think we did have it the last biennial budget. And so, I think what I'm trying to get at, and maybe it's a conversation for an interim study is what is it that's going to move the dial so that we can come up with a vision that works better for all six community colleges? So we can pick that up off the mike.

TODD HOLCOMB: [02:00:41] Well, and I think, you know, you and I have had discussions for many years now and you've been a terrific supporter of community colleges, and it-- it-- there is no one formula that works for the state of Nebraska. And perhaps a more regular review of that would be potentially in our benefit. Because, you know, for example when Western Nebraska return \$972,000, we felt like we could live within our budgetary means going forward. Now here we are, you know, years later and we're realizing that our downturn in enrollment and state revenues not keeping up with where we are at, the funding formula doesn't work. So perhaps every four years or five years we need to put in there a mechanism to review the funding formula and how it's working for all institutions of higher education.

BOLZ: [02:01:37] Fair enough. Thank you.

STINNER: [02:01:39] Additional questions? Seeing none, I would like to tell the committee the assessed valuation of WNCC is one-half of Mid-Plains which is the second smallest in terms of assessed valuation, so the idea of being able to use real estate to help prop up the funding is not-- not the best.

TODD HOLCOMB: [02:02:00] Yeah. Part of that is Mid-Plains and Western are almost dead even on enrollment. But because of their valuation, they're able to do much, much more than we are.

STINNER: [02:02:11] OK. Any additional questions? Seeing none, thank you.

TODD HOLCOMB: [02:02:14] Thank you.

STINNER: [02:02:23] Any additional proponents? Seeing none, any opponents? Seeing none, anybody in the neutral capacity? Seeing none, that concludes our hearing on-- and I do have letters of support, excuse me, on Agency 83 from President Paul Illich; President Paul Purdy; and President Michael Chipps, they're from Southeast Community College, Mid-Plains Community College, and Northeast Community College. And that concludes our hearing on Agency 83 and our hearings for today. Thank you.