

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: My name is Senator Mike Groene from Legislative District 42. I serve as the Chair of this committee. The committee will take up the bills as posted in the agenda. Our hearing today is your public part of the legislative process, process. This is your opportunity to express your position on, on the proposed legislation before us today. To better facilitate today's proceedings, I ask you abide by the following procedures: please turn off your cell phones and other electronic devices, move to the chairs at the front of the room when you are ready to testify. The order of testimony is the introducer, proponents, opponents, neutral, and closing remarks by the introducer. If you will be testifying, please complete the green testifier sheet and hand to the committee page when you come up to testify. The sheets are in the back of the room. If you have written material that you would like distributed to the committee, please hand them to the page to distribute and that is-- I'm referring to the testifiers. If you are not going to publicly testify or need to leave early, you can turn in written testimony with a completed green testifying sheet. We need twelve copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that test-- testimony limit to five minutes. We will be using the light system, green for four minutes, yellow for one, and then wrap up when you see the red light. If you would like your support or opposition to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. If you are not testifying in person on a bill and would like to submit a written position letter-- this is for future testimony-- to be included in the official hearing record as an exhibit, the letter must be received in our office of the committee chair, e-mail no later than 5:00 the day preceding the, the hearing. Additionally, the letter must include your name and address, state a, state a position of for or against or neutral the bill-- of the bill in question, include a request for the letter to be included as part of the record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. The committee members with us today will introduce themselves beginning at far right. Senator Brewer will be late, he is introducing a bill in another committee.

MURMAN: Senator Dave Murman, District 38, Clay, Webster, Nuckolls, Franklin, Kearney, Phelps and part of Buffalo County.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: Hi, Senator Lou Ann Linehan, western part of Douglas County.

WALZ: Lynne Walz, District 15, Dodge County.

KOLOWSKI: Rick Kolowski, District 31, southwest Omaha.

GROENE: I expect Senator Pansing Brooks and Senator Morfeld will be joining us later. They-- I have no other indication that they won't. Introduce the committee staff, to my immediate left is research analysis, Nicole Barrett. At the end of the table to my right is committee clerk, Trevor Reilly. Pages today-- would you young ladies stand up-- is, Erika Llano, is a sophomore at the University of Nebraska-Lincoln studying political science. Maddy Brown is a junior at the University of Nebraska-Lincoln studying political science. When you bring up your green sheets, hand them to them. I appreciate it. We'll get started with LB544. Senator Linehan.

LINEHAN: Good afternoon, members of the Education Committee. My name is Lou Ann Linehan, spelled L-o-u A-n-n, Linehan is L-i-n-e-h-a-n. I am here today to introduce LB544, the Meadowlark Scholarship Act. The Meadowlark Scholarship Act is designed to give all Nebraska children hope at birth and ensure every child is able to soar upward. The Act will ensure that every newborn in Nebraska gets a jump-start on their savings for college. The main way in which LB544 achieves this objective is by automatically creating a 529 account for every child born in the state of Nebraska and seeding it with \$100. This is designed to help build-- help a child build 529 assets over time not only with the scholarship money seeded to them but also through contributions from family, church communities, friends, and from the children themselves. One thing I would like to note is that though the State Treasurer will be, will be seeding each account with \$100, no General Fund will be spent doing so. LB544 gives the State Treasurer the authority to go out and solicit private donations and use existing cash funds that exist within the 529 trust. This will ensure that accounts of all the children born in the state of Nebraska after January 1, 2020, have the necessary funding for their accounts at no taxpayer expense. The State Treasurer will be-- the Treasurer will be the administrator of the Meadowlark Scholarship Program and will have the ability to promulgate rules and regulations in order to administer the Act. The Treasurer will also be the individual responsible for ensuring Meadowlark Scholarship Program has the funds needed in-- to-- in order to continue to be self-sustaining. Research clearly shows that even a small amounts of educational savings lead to increased college or vocational school enrollment and completion. There is also

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

evidence that shows 529 programs can nearly eliminate disparities in asset holdings among different groups of different socioeconomic status and between racial and ethnic groups. By automatic enrolling every child at birth, Nebraska can become a national leader in 529s. Opportunities expanded to this legislation will result in increased asset accumulation for the students, less student, student debt from higher education, increased postsecondary education enrollment, increased financial resources for higher education, improved financial literacy, and improved parental and mental health. During my time in the Legislature, I've continually worked to positively change the trajectory of children's lives through better ex-- access to all levels on education. LB544 is a bill that everyone can get behind to ensure all of Nebraska's children have a better chance at achieving the American dream. I urge the committee to support LB544, which has broad bipartisan support in the Legislature and among the business and educational communities. Treasurer Murante will be testifying after me and will be able to answer specific questions you may have. I can answer questions, too.

GROENE: Questions from the committee? Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. Senator, do you know how many states have done a program like this?

LINEHAN: I think the number is six, but I'm sure that Treasurer Murante has that.

KOLOWSKI: OK, thank you.

GROENE: Senator Pansing Brooks.

PANSING BROOKS: Thank you. Thank you for bringing this, Senator Linehan. I would agree with your statement that you fought hard for Nebraska's kids. I just want to make sure on a couple things. Number one, do you have any idea what the interest on \$100 after-- I, I just haven't looked up. I know there are all sorts of-- but after 20 years or--

LINEHAN: I'm going to defer to Sen-- to Treasurer Murante.

PANSING BROOKS: OK. And also I just want to clarify that this Meadowlark Scholarship Act is, is for postsecondary only, not K-12, is that right?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: It is for postsecondary education only.

PANSING BROOKS: OK, thank you, Senator Linehan.

LINEHAN: You're welcome.

GROENE: Any other questions? Thank you, Senator Linehan. First proponent.

JOHN MURANTE: Thank you, Chairman Groene, members of the Education Committee. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am your Nebraska State Treasurer. As part of my role as State Treasurer, I function as the trustee and administrator of Nebraska's college savings account program and am fully supportive of LB544 today and thank, Senator Linehan, for her ongoing efforts to improve the outcome of education for Nebraska's kids. As, as Senator Linehan rightly stated, the objective here is, is pretty clear to start every kid in the state of Nebraska off at birth with a 529 account opened for, for their behalf and to have that seeded with up to \$100 and to work with our Appropriations Committee on an annual basis to find non- General Fund dollars. It's our intent to not pay for this with General Fund dollars, but to work with the Appropriations Committee to the extent that any cash funds exist to identify those and also for you to authorize me to open up a cash fund and to go solicit private donations from the philanthropic community to achieve this goal. The benefits of 529 accounts and of having seeds opened at birth are-- there's a lot of research that's, that's been done on it and I think you're going to hear from, from some testifiers who have done really a lifetime of, of research on this subject matter that you may argue \$100 isn't that much. The reality is that kids with between \$1 and \$500 of college savings really any college savings by the time they're in eighth grade are three times more likely to go to college and four times more likely to graduate from college. The benefits are really seen across, across the country and there are different programs that are done in different states and there's really dozens of different models and none of them are created quite the, the, the same way. But though-- there are a few statistics that are consistent a, a, across the nation and, as you as members of the Education Committee, are undoubtedly aware, one of the determining variables as to whether a, a kid is likely to go to, to college is their parent's expectation for their kid to go to college. Actually, studies are pretty clear that a, a parent's expectation of their kids prospect of going to college is actually more determinative of that kid going on to college than their own academic performance. And so,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

it is so important that we change the mindset of kids who don't otherwise view college as being attainable and 529s do a very good job of achieving that end. Children whose parents have any college savings by their eighth grade are about 30 percent more likely to attend college than kids who have saved nothing. So really our goal is, is clear, any amount of money moves the needle and just by, by way of showing the, the starkness of what we're trying to accomplish here, there's about 300,000 kids currently enrolled in K-12 schools in, in the state of Nebraska, a little over that. So every percentage point that we move the needle is 3,000 more kids that go to college and get a college education. This isn't just about providing good college education for our kids, it's also about addressing one of the biggest challenges facing our state which is that we have a work force development crisis. We have more jobs than we have trained people to fill those jobs. 529 is one of the biggest challenges that I'm attempting to address as State Treasurer is the misperceptions about the use of 529s and, and many people believe that it is just to be used at university level. A four-year university and that's not true. Many of the jobs that are currently available in the state of Nebraska don't require a four-year degree, but require some sort of trade school, vocational school. We need to raise awareness of the fact that 529s can be used for that purpose and that by, by seeding 529s at birth we are changing the trajectory of people's lives. And in fact, it is-- studies have shown that by seeding 529 accounts at birth we--well it does increase the likelihood to attend a four-year university. It has a significantly higher impact on two-year universities and kids attending two-year universities. So we believe that by doing this we are going to see kids who are preparing for college, who understand and are more aware of financial literacy, who understand the marketplace, who understand banking and financial institutions, and who-- studies demonstrate will graduate from college with less debt than they will with kids who have no college savings. So there is a lot of opportunity here and there are a lot of benefits to, to programs like this. I encourage this committee to advance LB544 to the floor of the Legislature. Thanks, Senator Linehan, again for her continued leadership on this, on this specific subject and the, the area more broadly and I'd be happy to answer any questions that you may have.

GROENE: Any questions? Patty-- Senator Patty Pansing Brooks.

PANSING BROOKS: Thank you--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: He beat you by a second.

PANSING BROOKS: Pardon me?

GROENE: Senator Kolowski-- you both went out the same time.

PANSING BROOKS: Oh, thank you, sir. Welcome, Treasurer Murante. I'm-- I, I just wanted to ask a couple of questions. I think you heard me asking, Senator Linehan, that-- is it the intention that these funds are used only for postsecondary education?

JOHN MURANTE: Yes.

PANSING BROOKS: And you know that-- because you were there and you were in the Legislature last year where-- when Senator Brasch brought a bill to fund K-12 with the 529s--

JOHN MURANTE: Um-hum.

PANSING BROOKS: -- so that's-- you can understand why I'm asking that question.

JOHN MURANTE: Um-hum.

PANSING BROOKS: So-- but you are-- you agree that what-- it, it is for postsecondary education?

JOHN MURANTE: Yeah. The law is, is crystal clear of what is an allowable expenditure under the Nebraska Educational Savings Trust and they're are exclusive to postsecondary costs.

PANSING BROOKS: OK, and could you-- I think you mentioned pre-accredited-- did you say pre-accredited schools? Is that what I heard?

JOHN MURANTE: No, I don't think I've ever used that term before, but I may have.

PANSING BROOKS: OK, all right. I thought there was-- I thought I heard something along those lines. So let's see if I, if I have any other-- sorry, one second-- my question's here-- what about, what about the amount of interest that-- have, have you done the, the prediction?

JOHN MURANTE: Um-hum. So the amount of-- if, if all that happens is, is that the \$100 is seeded it-- it's obviously-- it's not going to amount to that much. But what we've found is that the, the percentage

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

of parents who save for their kid's college education is dramatically higher when their kids have a 529 account open for them at birth. So the benefit isn't so much the simple \$100, it's the decision-making that comes from that is, is what moves the needle.

PANSING BROOKS: OK, but you don't have an idea how much that would be? How much [INAUDIBLE]--

JOHN MURANTE: About \$100. So we're, we're making about 6 percent so the future balance-- thank you-- would be about \$294.

PANSING BROOKS: So that's good, that might pay for part of a class or something. Yeah.

JOHN MURANTE: Might buy half of a book.

PANSING BROOKS: Had you thought about increasing that at all or did you [INAUDIBLE]--

JOHN MURANTE: There's-- so that's just a matter of the, the, the amount of expenditure. What these studies have shown and why \$100 was chosen was because Pennsylvania's the most recent state to come on board and do something like this. And they did \$100, but there is not a lot of demonstrated evidence that the higher the seed the better the policy return. So that's why it, it appears to me that states are shrinking the seeds-- the, the, the initial seed that was studied was from Oklahoma and it was \$1,000 per kid. But, but that doesn't seem to-- the more money doesn't appear to achieve a greater outcome, so that's why \$100 was chosen.

PANSING BROOKS: OK. I have one more question, but I'm gonna talk to legal counsel first. So--

GROENE: Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. John, good to see you, thank you for making it here today. Back to the number of states that-- do know who they might be right now?

JOHN MURANTE: So statewide programs I believe were at seven. If you look at what states look at it from-- have some sort of program-- at whether it's a statewide or a municipal level, then you're in the closer to 30 where it's not necessarily on a statewide level but there

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

may be municipalities that do it. It may be done in a private sector level so that expands it somewhat.

KOLOWSKI: OK. When you get into credit accumulation-- a, a great number of high schools today are blending them, 11th and 12th grade with grade 13, 14, community colleges and trade schools and many other things. Is there a problem payment wise when you're paying for something that may be overlapping like that where you're gonna-- you're getting college credit, but you're taking it as a high school student because they have a working relationship with say, Metro Community College as an example?

JOHN MURANTE: So I, I'm not, I'm not sure if at the present that would qualify-- if something like that would qualify as a postsecondary or allowable expenditure under Nebraska Educational Savings Trust. I would say, this bill doesn't change that. This bill doesn't attempt to change what are allowable expenses, but, but I'd have to research that specific of the overlap. I have, I have [INAUDIBLE]--

KOLOWSKI: Yeah, that might be a modification we make--

JOHN MURANTE: Um-hum.

KOLOWSKI: -- in the future if this is successful and passes and moves on so we don't restrict but open options earlier and, and more of them for, for kids that--

JOHN MURANTE: Absolutely.

KOLOWSKI: -- are doing those things. But I, I think it's really key that we remember how many things are taking place in high schools today and how these relationships with the community colleges, trade schools, UNO, Lincoln, wherever it might be is really beneficial for those kids. They're getting a higher bang for their buck--

JOHN MURANTE: Absolutely.

KOLOWSKI: -- when they see that happen and, and get that passage that way.

JOHN MURANTE: And, and what I found interesting in the research, Senator Kolowski, has been the, the effect of college savings accounts on the behavior and decision-making of kids in college. It's really fascinating that, that there is a significant amount of data that say-- that says that kids with college savings accounts study more

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

than for on a-- on a daily basis they're, they're less likely to drop out from school, their test scores are higher-- simply creating that sort of psychological shift really changes the decision making of, of the kids which, I think, is something that we should, we should all aspire to, to incentivize.

KOLOWSKI: Sure. Is there any collected case information about parents who abused this situation and took the money from-- out of the kid's--

JOHN MURANTE: Oh, OK, good question.

KOLOWSKI: in the other states that are doing it, so it's a negative situation that has not been rectified?

JOHN MURANTE: So the way that that is addressed-- the answer to your question is, yes, that's a challenge that other states have, have, have faced. The solution that most states are doing and which we would envision under, under LB54 [SIC]. Is that the \$100 seed is essentially held in trust and, and the way that I wrapped my mind around it is to sort of consider it as vested versus unvested retirement savings. So--

KOLOWSKI: Getting up to it.

JOHN MURANTE: -- you couldn't-- you can't get to it until you have an allowable expense but allow-- to become vested for the purposes of this Act--

KOLOWSKI: Absolutely.

JOHN MURANTE: -- is have some sort of postsecondary expense and, and then the money's available, too. So it could not be withdrawn prior to the kid going to college.

KOLOWSKI: That helps, thank you. Thank you very much.

JOHN MURANTE: Um-hum.

GROENE: Senator Pansing Brooks.

PANSING BROOKS: OK. Well, I've found where my notes were on the accreditation part--

JOHN MURANTE: Um-hum.

PANSING BROOKS: -- the pre-accreditation that's part of law that we currently have because it says, that under Section 85-1802(11) [SIC],

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

"Eligible educational institution means an institution described in 20 U.S.C. 1088 which is eligible to participate in a program under Title IV," and it goes on to say, describe-- it describes the different programs for which this could be used including a bachelor's degree, a two-year degree program, or a one-year program of trained to prepare students for gainful employment in a recognized occupation public or nonprofit institution and accredited or pre- accredited by a nationally recognized accrediting agency or association. Do you know what pre-accredited means?

JOHN MURANTE: I don't.

PANSING BROOKS: OK, if we could find that out that would be great. The other thing is that clearly these 529 funds-- if they're, if they're started at birth, then by the time a kid gets, gets to, to grade school there would be actually funds in that account. So would you be in favor of allowing those funds to be used in, in the future if somebody brought a bill to extend it to K-12 education?

JOHN MURANTE: That's an interesting question. So that is-- so repeat your question for me I'm trying to wrap my mind around whether that you're asking me if the parents ought to be--

PANSING BROOKS: There, there will, there will be funds by the time a child gets to grade school so would you be in favor of extending this 529 fund to include the ability to take the funds out or to do it for public education-- or for K-12 education, excuse me?

JOHN MURANTE: So if, if you're talking about my position on what the Brasch bill was last year-- if I were a member of the Legislature I would have voted, or I was at the time, I would have voted for it if given the opportunity. What I am presenting to you is my assessment as the challenges currently facing the Nebraska Educational Savings Trust and how to prepare kids for a, for a college for, for, for college and to encourage and incentivize saving for that purpose. That's my fundamental goal here today.

PANSING BROOKS: So would you want this to be extended to K-12?

JOHN MURANTE: Like I said, if I were a policymaker back in my state senator days, if it were three weeks ago, do I think that's a good policy position? I would vote for it if I were a state senator. As State Treasurer, I'm, I'm saying that that's not what I'm asking. What I'm asking for today is a policy that will incentivize college savings

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

as it is currently envisioned under the Nebraska Educational Savings Trust.

PANSING BROOKS: OK, and that's the worry of everybody. The, the worry is that, yes, we pass this and then all of a sudden it extends to K-12, and that's a significant jump. So it's, it's one way of getting to what it-- to Senator Brasch's bill from last year. First, we do this innocuous step, that I think most people would agree to, and then, of course, you don't have the schools coming in because they're not, they're not concerned about that for the K-12. And then all of a sudden we switch it, pretty easily, next year with the amendment or a change to the law to allow K-12. So that's disconcerting to me. Thank you very much.

GROENE: Other questions? I have a few.

JOHN MURANTE: Yes, sir.

GROENE: This is an extension of the 529?

JOHN MURANTE: Yes.

GROENE: And they're the same laws about--

JOHN MURANTE: Yes.

GROENE: -- no taxes on, on the interest. But you're creating a new fund, the Meadowlark Scholarship--

JOHN MURANTE: Yes, um-hum.

GROENE: -- cash fund. And it's, it's versus the Nebraska Educational Savings Plan Trust, trust.

JOHN MURANTE: Right, um-hum.

GROENE: It's not part of the trust?

JOHN MURANTE: It is not-- it would not be part of the trust itself, no.

GROENE: All right, so when you say-- you said that you're not looking for an appropriations, but the statute allows an appropriation from the Legislature. It says administered-- the Meadowlark Scholarship cash fund is created-- the fund shall be administered by the State Treasurer and shall consist of appropriations from the Legislature. So

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

if we struck that and-- or said no General Fund appropriations, because that's how you testified?

JOHN MURANTE: Sure. I can tell you this would be sort of the same conversation I was having with Senator Pansing Brooks, you're the Legislature, you can appropriate--

GROENE: But do you agree that the, the way the bill is written it says appropriations from the Legislature which could include General Funds?

JOHN MURANTE: Certainly, the Legislature can appropriate any General Funds it wants to whenever-- that's, that's the perk of being a state senator.

GROENE: The original statute, Nebraska Educational Savings Plan Trust, it's in your bill--

JOHN MURANTE: Um-hum.

GROENE: -- shall be operated with no General Fund appropriations.

JOHN MURANTE: To be clear, I am not here asking for General Fund dollars. So if, if, if you would like a clarification within the statute, I have no problem with that.

GROENE: Also, a lot of us did, I started one from my grandkids that's in my name. The 529 is in my name. I can change it if one of my grandkids, which a couple are brilliant get a free ride, I can change the name on there and give it to the next one. This is in the name of the child or in the name of the parents?

JOHN MURANTE: So the, the beneficiary would be the kid. The kid has to be qualifying at the time that they would have an allowable expenditure 18 years after their birth or whenever they go to college.

GROENE: But it's in their name, they own it?

JOHN MURANTE: I wouldn't say they own it because when you say they own it that implies to me that they have control over, over the money they can withdraw it. And that's not true. The, the money functionally sits in trust with the state until they have an allowable expenditure and then it would go directly to the academic institution that they're attending.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: So if, if somebody-- you started one for them, \$100 dollars then the parents 5 years later wanted to add to it, do they have to have their own 529 or they can add individually to the one that exists by the state?

JOHN MURANTE: No, as I would envision that there would-- because you don't want to comingle those funds. Once that happens it becomes very, very difficult to determine the difference between what cash funds and charitable contributions are going in and what the parents are putting in. Obviously, whatever the parents put in, the, the state--

GROENE: [INAUDIBLE]

JOHN MURANTE: -- it should, it should be open to them and as free to access as possible. I'm not trying to impact that--

GROENE: So scenario--

JOHN MURANTE: OK.

GROENE: -- somebody-- transient person who travels for a living has a child, six months later they move to Oklahoma, that account sits with a hundred bucks in it for thirty years. When do you, when do you close it?

JOHN MURANTE: So most states deal with that-- those specific sorts of questions in the rules and regs process in terms of what, what does it take to actually access these dollars. There are some states that put strings attached. Such as, you have to continue being a citizen of the state of Nebraska. If you cease to be a citizen of the state in Nebraska, the money just rolls back into the trust and would be redistributed to another kid.

GROENE: And rolled back in trust-- it's not, it's not in their name then, they have no ownership to it.

JOHN MURANTE: Yes, yes, it's not-- they don't own it. That's the-- I think that's a good way of looking at it.

GROENE: So it can only grow if we-- if you never put any more than \$100 then it's gonna be \$294 at the end of the 18 years. It's gonna be--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

JOHN MURANTE: So that-- a lot of that depends on how parents choose to-- to choose to contribute. But I think the--

GROENE: You said they couldn't contribute into that.

JOHN MURANTE: Well, I don't know that it's-- I wouldn't say that they could not. I think-- I wouldn't if I were a parent I wouldn't do it that way. What I would say, more along those lines is the \$100 is it-- is, is meant to receive a policy outcome that incentivizes behavior such as parents opening a 529 account and then-- and saving for themselves.

GROENE: So distinct accounts, unless the state put more money in each, each individual account, it's going to be a hundred bucks, it never grows?

JOHN MURANTE: Yes. I would strongly advocate keeping those two pots separate.

GROENE: Advocate, but could a parent write you a check and say add this to my child's account?

JOHN MURANTE: I don't, I don't know that the bill really contemplates that. If, if you'd like further clarification within the legislation we could-- I'd be happy to take a look at that with you.

GROENE: Well, I would foresee you-- you take care of the unclaimed property. You would have a big list after about 18 years of unclaimed property if you had a hundred bucks sitting in every child born and they moved to California, moved somewhere else, and forget about being in Nebraska and just happened to be born here. I'd, I'd like to see some clarification on that.

JOHN MURANTE: Maybe a, maybe a different way of putting it, Senator Groene, is I, I wouldn't think of it as having based 25,000 individual accounts opened under NEST. It's really you-- you're having one pot of money that is created under this cash fund for which we're keeping paperwork and sending kids the information and, and letting parents know that the money is available to them if they have a qualifying expenditure. But we're not creating thousands of different accounts, it's just one big account that paperwork is going out of to try and incentivize the behavior. That's what we're trying to do. And then if a kid doesn't have any qualifying expenditures there's no outlay that the money just stays in that, that same cash fund.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: The name comes off the list when they reach the age of 30?

JOHN MURANTE: That's right, um-hum.

GROENE: Don't qualify anymore?

JOHN MURANTE: Um-hum.

GROENE: Thank you. Any other questions? Senator Kolowski.

KOLOWSKI: John, I just need to clarify,--

JOHN MURANTE: Um-hum.

KOLOWSKI: -- you're talking about a fund that has \$100 to start with--

JOHN MURANTE: The earmark-- earmarked for every kid that's born.

KOLOWSKI: Per, per birth?

JOHN MURANTE: Yep, um-hum.

KOLOWSKI: And a parent can put into that account then once a month, twice a year, whatever they want to do, as long as they stay in the state and are, are a-- the, the child is healthy--

JOHN MURANTE: Sure.

KOLOWSKI: -- and all those kind of-- that, that can be done I'm, I'm--

JOHN MURANTE: Sure.

KOLOWSKI: -- I thought I was hearing you can't put into that?

JOHN MURANTE: No, well to be clear, a significant portion of this bill, on a significant amount of where the money is going to come from is going to be private sector philanthropic contributions. So it's not simply the, the cash funds we're envisioning that individual contributions will come in. That's how a lot of this is going to be paid for, and I believe there's a lot of interest in the philanthropic community. Now I, I think what, Senator Groene, was getting at was could a, could a parent-- and maybe I misinterpreted Senator Groene, if I did feel free to correct me, is could a parent basically earmark for their kid into this cash fund a contribution? I-- that's not

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

really contemplated in the legislation. I don't know if there's any prohibition against it, but that's something we can work through.

KOLOWSKI: So the money would come not from the parents, it'd be coming from outside sources into that account?

JOHN MURANTE: So the, the bill keeps it about as open as it could possibly get. Right? I'm supposed to work with the, the Appropriations Committee to find cash funds that are out there and then work with the philanthropic community to find private sector dollars to be put in for charitable purposes. But if a parent wants to contribute to the fund there's no prohibition against that.

KOLOWSKI: No restriction?

JOHN MURANTE: No restriction on it, no.

KOLOWSKI: OK, that's what I wanted to make sure. I, I have some of those funds for five grandkids, and I'm trying to understand what I've been told and what we're doing compared to what you said. Thank you.

JOHN MURANTE: Um-hum.

GROENE: So, Senator Pansing Brooks.

PANSING BROOKS: Thank you. Just looking back, do we call you Treasurer Murante?

JOHN MURANTE: You can call me John. If you pass the bill you can call me whatever you want to. [LAUGHTER]

PANSING BROOKS: OK. Well, let me go back to Treasurer Murante then. So if you look at page 4 in Section 8 being the one who doesn't like "shalls" and prefers "mays"--

JOHN MURANTE: We're debating bills past aren't we, Senator Pansing Brooks. [LAUGHTER]

PANSING BROOKS: We are bringing them back up so I just-- I'm interested if there is a part that says the State Treasurer may adopt and prop-- promulgate rules and regulations to carry out the Meadowlark Scholarship Act. So what if you don't-- what if you don't create rules and promulgate, promulgate rules and adopt regulations?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

JOHN MURANTE: I would say probably as a, as a practical matter the answer to your question is the, the bones of the bill itself probably don't answer enough policy questions that are going to need to be answered by the end of it such as what happens if a person leaves the state of Nebraska-- there's a lot of different policy questions. So if, if a treasurer just chose not to adopt or promulgate rules, I think that we'd have an incomplete framework to, to, to make the policy.

PANSING BROOKS: I do too, so why don't we say shall promulgate and adopt rules and regulations?

JOHN MURANTE: I tell you what, I will promise you that if you pass this bill I will adopt and promulgate rules. But if you'd like to give me a mandate, I'll, I'll, I'll take that as well.

PANSING BROOKS: I just didn't know because, I mean, what happens after you? I know you'll be there for quite a few years, but--

JOHN MURANTE: I, I think that's-- I think-- if you would like to, to change the "may" to a "shall" that's fine.

PANSING BROOKS: It just seems like a lot of money to just let it be at the whim of whether or not somebody is really going to have some sort of rules and regulations on this so--

JOHN MURANTE: Sure, fair enough.

PANSING BROOKS: Anyway, just interested. Thank you very much.

GROENE: Senator Morfeld.

MORFELD: Treasurer Murante--

JOHN MURANTE: Do you have motor ID questions, Senator Morfeld?

MORFELD: No, I just wanted to welcome you back to the Legislature. It's great to see you.

JOHN MURANTE: Always great to see you, Senator Morfeld.

GROENE: That's it?

MORFELD: I'm finished. [LAUGHTER]

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: [INAUDIBLE] you got to ask a question.

MORFELD: I just wanted to say--

GROENE: I'm still confused, which I'm normally am, but-- so \$100, so when they're one year old nobody's putting any more money in, when they're two nobody's putting any more money in, because you said the parents aren't gonna do it. The next birth-- next group comes by--and the stork brings them and you're putting \$100 in theirs. How do you grow that thing?

JOHN MURANTE: So that thing--

GROENE: That seed.

JOHN MURANTE: Yeah, that thing I think is, is maybe our disconnect. How many accounts are opened whether a parent has their own custodial account or a parent or grandparent, that's really not of terrible interest to our office. I mean, we're happy if, if by the end of this legislative package and when we'll be in revenue tomorrow if, if every family member wants to have one account for a kid and funnel the money into that one account that's fine with us. If the parents and the aunts and uncles each want to have a different account for their kid that's fine with us, too. That's a mechanical question for-- from our standpoint but we're capable of doing it. Our motivation is to incentivize the savings however a parent wants to do it in any capacity, however the funds are set up that's what we're, that's what we're going for.

GROENE: Couldn't you be-- couldn't we be confusing parents if they say-- we're back to my vaccination bill. Confusing them that, hey, we've got-- you've got a college account. We opened it when you were born, the state opened one for you. I don't need to open one for you, your grandma and grandpa don't need to, you have one. It's got a hundred bucks in it.

JOHN MURANTE: I haven't heard that particular concern from, from other states when they've adopted these, these sorts of things. I'll research that a little bit more as to whether that challenge has really manifested itself on a, on a state-by-state basis. But that would be-- I'm just not familiar with, with that particular problem.

GROENE: One of-- the committee counsel caught. What about an adopted child?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

JOHN MURANTE: So I, I do think that there does need to be clean-up legislation to make sure, but that was just not something that we caught in the drafting process. I do think it does need to be clarified that this would apply to them as well.

GROENE: Thank you.

JOHN MURANTE: That was something that we caught on our end before, before counsel caught it. We agree that there does need to be a change to clarify that.

GROENE: I don't think Nicole is going to let you get away with that. [LAUGHTER] She did a lot of research. Anyway, thank you. Any other questions?

JOHN MURANTE: Thank you, members.

GROENE: Next proponent. Start whenever the light turns green for testifiers.

MARGARET CLANCY: Oh, I'm sorry, I'm sorry. My name is Margaret Clancy, M-a-r-g-a-r-e-t, Clancy, C-l-a-n-c-y, and I am the policy director at the center for Social Development at Washington University in St. Louis. I lead the SEED for Oklahoma Kids research experiment testing Child Development Accounts or CDAs. And since 2001, I have been researching inclusive features of 529 plans as a model for CDA policy. In 1991, my boss and Center Director, Michael Sherraden, first proposed assets for children at birth. CDAs for postsecondary education are about more than the money. CDAs can lead to financial planning for college, a college-bound identity, academic preparation, and later college and career success. SEED for Oklahoma Kids is a research study of exceptional quality assessing the long-term potential of CDAs. We created a rigorous study design and about 30 of our SEED OK research papers are published in various peer-reviewed journals. In 2007, SEED OK began with interviews of mothers randomly selected from state birth records. Next, their babies were randomly assigned to treatment or control. Wave 2 interviews were in 2011, and Wave 3 is slated for 2020. The \$1,000 initial deposit for SEED OK, treatment participants increased by more than 70 percent over about 10 years, even though the value dropped dur-- sharply during the Great Recession. Such growth is possible because money is invested in the Oklahoma 529. SEED OK models automatic enrollment in deposits for all children at birth. This is key because SEED OK research finds that CD-- CDAs have positive impacts for children and their families. They

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

improve mother's outlook and parenting, increase mother's educational expectations for their children, and boost children's social-emotional development regardless of whether or not the families have saved. In SEED OK positive effects are typically greater for low-income and disadvantaged families. During in-depth interviews one mother said, I think it's very important for her future, people besides me and her dad, people out there that she has no idea about, want to give her money to go to school, then it must be darn important for her to go to school. An important conclusion from SEED OK is that policymakers should focus, first, on including all children in asset building and, second, on improving financial savings behavior, not the other way around. Our research indicates that policies that rely solely on individual saving will inevitably favor advantaged children. In the United States, each of the six statewide CDAs: Connecticut, Massachusetts, Maine, Nevada, Pennsylvania, and Rhode Island used their state 529 plan. From 2008 to 2012, Maine parents had to enroll their newborns in the state's 529 plan to receive the \$500 dollar College Challenge CDA. Despite extensive marketing, about 40 percent participated. Our research found that parents with more education, other investments, and a financial adviser were more likely to enroll. Unfortunately, children not included were the ones who would have most benefited. SEED OK research contributed to Maine's decision to automatically enroll all newborns. Today, College Challenge assets in the state's 529 plan are valued at over \$100 million impacting over 85,000 Maine children. The Maine 529 prior to the College Challenge was similar to Nebraska where the majority of 529 accounts are owned by people living outside of the state. But today, Maine-resident individual 529 accounts have greatly increased. The CDA has transformed the Maine 529. A second policy example is in Pennsylvania, legislation in 2008 similar to Nebraska's proposed Meadowlark Shalet--Scholarship Act provides all newborns with \$100 college savings grant. This statewide policy will automatically enroll more than one million Pennsylvania children by 2025. In closing, automatic account opening with initial deposit is like putting the plumbing in place. Funding can flow from many sources: government, families, communities, philanthropies, and businesses can work together to build assets for all Nebraska children. Overall, CDAs can step-- set the stage for widespread asset building, positive development of children and families, increased education and vocational training, a more skilled work force, and ultimately a stronger economy. CDAs are a good investment. Thank you for this opportunity to share our research and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

policy experiences. I am happy to answer any questions you may have.
Thank you.

GROENE: Questions? Thank you.

MARGARET CLANCY: Thank you.

DEBORAH GOODKIN: Hello, everyone. I'm Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, on behalf of First National Bank of Omaha, the program manager for Nebraska's College Savings Plans, NEST, and it's a pleasure to testify in support of this bill. Testifying after Margaret Clancy who is the person-- is the national expert is really daunting and I, I really hope her comments are taken to heart. I usually quote her but now I have to come up with my own comments. So I want to say that I'm really proud to say that in the last 20 years I've been in the college savings industry, I've watched with admiration other states implementing this type of seed account. This child development account complements other statewide programs that encourage parents and relatives to save for their children's future, more specifically in NEST Plans. But the Meadowlark Scholarship will do much more. This bill helps all Nebraskans especially working class who they really never really qualify for scholarships for need based scholarships, and they can't afford to save for all costs of college so many times they just don't save. Having money dedicated to college deepens the family unit by influencing parental and family attitudes and expectations for the child's future and, thus in turn, influencing the children's studying behavior and expectations of having a postsecondary education. Children are also shown the power of savings and achieving goals providing an example for children to save on their own which provides benefits that last a lifetime. The Meadowlark Scholarship will become another financial component to round out existing state programs that help students reach their full potential. The program will support all newborns and it will complement educational initiatives and work done within the public schools to encourage children to do well in school and to go on to an institution after high school. Families not only will get to plant the seeds early to understand the importance of college attainment, but would also show that Nebraska is dedicated to encouraging children to go to technical school, vocational schools, community colleges, four-year colleges. The NEST team looks forward to working with the Treasurer to develop outreach efforts and communications to these parents of all income levels who will-- and we will provide additional resources and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

education about the importance of saving early to make a child's dream a reality. Thank you.

GROENE: Any questions? I still don't understand this. So somebody has a child in Iowa and they move when the kid is six months old, he's going to live the rest of his life and not qualify--

DEBORAH GOODKIN: Correct.

GROENE: -- somebody's five, moves into the state they don't qualify?

DEBORAH GOODKIN: They don't qualify for the newborn schol-- the newborn program, but there are many, many other programs that the Treasurer's Office and the program manager offers to give money to children to encourage to open up accounts. We right now are having a scholarship program for any new-- the first 200 individuals who open up an account in the state of Nebraska.

GROENE: Who, who sponsors that?

DEBORAH GOODKIN: We do, First National Bank does.

GROENE: And how much do you--

DEBORAH GOODKIN: We spend about \$120,000 a year to give out scholarships that can range from \$100 to \$5,000, most of which are around \$529 or less.

GROENE: And you put that as an initial deposit into their-- when they open their account?

DEBORAH GOODKIN: It, it can be an initial deposit if they have an existing account. It goes, it goes in as well. And we have found those programs to be the catalyst to have others open up accounts, and also to be able to save more for their children.

GROENE: But those follow the individual-- the individual decides to get a,--

DEBORAH GOODKIN: They do.

GROENE: -- get a job at the railroad at the age of 18 and make a good living, he's out. I mean--

DEBORAH GOODKIN: Well, if they-- he's out of the program.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: Well, the-- but the money has their name on it and they can cash it in later-- the parents can because they own that--

DEBORAH GOODKIN: That's all-- they could change it to another member of the family.

GROENE: Yes, or-- but the Meadowlark-- just because you're born here, if you don't go to college you don't benefit.

DEBORAH GOODKIN: That's right, that's right. But we are trying to encourage the families to open up another account and to change the mind of the family to-- and the child to want to go to some postsecondary education. I mean, more and more the employment is going to be-- you need some sort of training after school. And as long as you go to an accredited school this money can be used for that. It could be used to be a diesel mechanic. It could be used for any technical, vocational, or community college. And chances are you'll need some training.

GROENE: But it's gonna be \$294 unless another Legislature adds money to every account.

DEBORAH GOODKIN: Or-- yes, that's right. Or unless the family decides to get together and open up a NEST account.

GROENE: That's besides this.

DEBORAH GOODKIN: That's besides this--

GROENE: And apply \$294--

DEBORAH GOODKIN: -- and that-- that's the behavior we're looking to encourage as well.

GROENE: I just don't understand why they'd open another account when we just told them they already have one. I think it's, it's confusing.

DEBORAH GOODKIN: I understand-- if we'd look to Margaret and the other states to see how they get above that, beyond that, it's not how it's happening in Maine. Maine is a very-- one very famous study, and they have accounts. The individuals have their own accounts as well as the newborn account.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: Do you know how many accounts-- what's the percentage. Been, been enacted for, what, at least 15 years or so, I would think.

DEBORAH GOODKIN: Right.

GROENE: How many accounts-- percentage of kids have an account when they go to school? Do you know in the state of Nebraska?

DEBORAH GOODKIN: Margaret would know.

MARGARET CLANCY: I do know that we are--

GROENE: We're not supposed to, but we'll--

DEBORAH GOODKIN: OK, I'm sorry. Margaret-- we'll, we'll supply you that answer at another time.

GROENE: All right, thank you. Any other questions? Thank you.

DEBORAH GOODKIN: Thank you.

GROENE: Next proponent.

JERRY STILMOCK: Thank you. Good afternoon, Mr. Chair, members of the committee. My name is Jerry Stilmock, J-e-r-r-y, Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of my client, the Nebraska Bankers Association in support of the legislation. I get it, I think. Here's the reason why I understand it and why, why I personally think it's a good idea. I, I think of my era and what my parents did and what I did for my children. My parents went out and bought me an insurance policy when I, when I was born, and so thinking like my parents did when our four boys were born we got insurance policies for them. So I'm not slamming the insurance industry behind me, but that money would have been a far better use if I would of entered-- if I would of opened up 529 plans for each of our sons. And the way I look at the legislation introduced by Senator Linehan is, it's, it's an item to get you thinking so that you-- a parent would go in and open up their own account, open up their own 529 plan for each of their individual children. I think it's a good idea and certainly with the Nebraska Bankers Association, we'd ask you to advance the measure to the Legislature-- the full Legislature. Thank you.

GROENE: Any questions? So the bankers plan on being one of the first big donators to this plan?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

JERRY STILMOCK: Well, we've, we've done that in a lot of communities and throughout the state. It, it makes sense why, why shouldn't the state ask for donations, because we, we, we do it throughout in towns. That's what makes Nebraska great, right?

GROENE: Thank you.

JERRY STILMOCK: Right, thank you.

GROENE: Next proponent.

PAUL TURMAN: Good afternoon, members of the committee. My name is Paul Turman, I'm the chancellor of the Nebraska State College System, that is spelled P-a-u-l T-u-r-m-a-n. I'm here to testify in support of LB544. I think three important things to just emphasize to the committee and I-- as I hear the comments and the questions that are emerging. I think the real targeted segment of the population that we're after here with this type of legislation is to make sure that more of those first-generation students are able to surface up and, and get to see that early on in, in their childhood and as they advance toward secondary education that they're being notified about the types of pathways that are available for them as they move forward. I think the data that we see within our system is that right now if you look at the total number of graduates from a typical high school about 50 percent of them are first generation. When we factor that into the number of those that eventually do surface into postsecondary, it only ends up being about 30 percent of that population. And so these types of mechanisms become good public policy that helps to encourage and incentivize a changing of behavior for individuals who are maybe not as well versed in what it takes to really move on and go on to college. The second area is that, certainly I think, this committee is, is faced with ongoing work force development issues, and how do we make sure that we're continuing to do the right things as a state to, to advance down that pathway. I think degree attainment is a critical area to really understand and we're not going to be able to achieve our degree attainment goals which are setting ourselves at about 60 percent of our population needs to have some level of credential by the time we hit 2025. We're going to be internationally competitive and nationally-- or competitive on an, on a national stage as well. Right now Nebraska only has 64 percent of its work-based eligible individuals who meet degree attainment. And so we have about a 14 percent gap even getting out to 2025 and so long-term strategies really do need to be in place to help us move in the right direction. The next thing that I'll

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

emphasize is that one of the-- if the committee eventually decides to incorporate shall into the language about promulgating the rules necessary to really lay out what are the expectations how does this program really function and serve the citizens of the state in the right way. There are a number of ways that you can begin to incentivize students to take advantage of this, families to take advantage of this, and then they are given additional benefit by utilizing these dollars at a Nebraska postsecondary institution, public private for profit. And one of the things that we currently are seeing is that we, even though as a state, we are a net importer of about 1,300 students. So we attract 1,300 more students a year than we lose. We still as a state are losing about 2,700 of our graduates every year to out-of-state and that has gone up by about 8 percent. And so good public policy along these lines certainly could be the mechanisms to try to find additional ways, how do we encourage more of them to stay in the state of Nebraska so that we're then meeting the attainment goals that we have down the road. I'd ask that you'd support this legislation as the committee continues to deliberate. Thank you. I'll stand by for, for questions.

GROENE: Questions? Thank you, sir. Next proponent.

AUBREY MANCUSO: Good afternoon, Senator Groene, members of the committee. My name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I'm here on behalf of Voices for Children in Nebraska. I won't repeat some of the research shared in my testimony that we've already talked about, but I will just mention that we have seen growth in these type of accounts across the country. And now, recent estimates point to about 313,000 kids nationally participating in 49 different programs in 31 states, and we would hope that Nebraska kids won't be left behind. And that interventions that we currently have now for college affordability are in many ways coming too late as they often come in the form of scholarships at the high school level and they miss both the opportunity for the investment growth and the growth in aspirations that's been talked about today. The current incentives in our tax code for 529 savings are designed in a way that's not accessible to all families and that's reflected in the current data on plan use which I'll actually share as a part of my testimony on Senator Wishart's bill. The only two considerations I had with this bill, one that's already been mentioned, is ensuring that children who are adopted by Nebraska residents are somehow included in this bill and Senator Pansing Brooks also mentioned in consulting with some of our national partners on this bill. So programs across the country

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

because of federal changes that the program for-- in Maryland for example have seen challenges with funds in these accounts being shifted to K-12 education. And although this is not currently allowable in Nebraska, we would also encourage the committee to look at the language around allowable uses and ensure that it's very clear that the legislature intends this to be a tool for kids using it for higher education in order for the program to reach its full potential. Thank you and I'm happy to take any questions.

GROENE: Questions? Senator Walz.

WALZ: Thank you, Senator Groene. I was just curious, do you know if there's any data on the amount, or the percentage of kids who are attending college or postsecondary education now due to this program-- because of this program? Is there any--

AUBREY MANCUSO: So I think that the SEED study which is the SEED Oklahoma study which is the largest one, one reference has some of the best longer-term data and I don't want to speak to that without it in front of me, but hopefully someone closing-- or I can, I can follow-up with that information. But I do know that it, it increases, it has been shown that the, that the presence of the account even when you're controlling for other sociodemographic variables has been shown to increase that likelihood of pursuing higher education.

GROENE: Any other questions? Thank you.

AUBREY MANCUSO: All right.

GROENE: Next proponent? Is there any opponents? Neutral? We received letters, proponents from Hank Bounds, President, University of Nebraska; Shira Markoff, Associate Director- Prosperity Now; Colby Coash, Associate Executive Director - Nebraska Association of School Boards. There was none-- no opponent or neutral testimonies sent in. Senator Linehan, would you like to close on LB544?

LINEHAN: Yes, thank you, Chairman Groene. I think-- I'm going to try and clear up a couple of things that are confusing. So the money-- the \$100 goes into a bucket and grows to \$294. When the child goes to college, that money will be released to that child for college expenses. What this bill is trying to do is to encourage people that might otherwise not know about these accounts to identify kids, so there's a way to reach out to these kids to open accounts. You, Chairman Groene, and you, Senator Kolowski, already mentioned that you

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

have these accounts for your grandkids, you know about them. We need to reach people that aren't necessarily aware. So this bill helps reach out to people that probably haven't gone to college, as a couple of testifiers said, first-generation students. So you plant in that family's mind, and the family and the student's mind, that college is possible for you. And hearkening back to the life insurance, that's what my parents did, too. But I also, clearly, remember getting ready to go to college and being handed a savings bond that my grandparents had bought for my college expenses. So I think this is-- generationally people have always figured out ways to save for college and their children's future, and this is just a way to push us back to what we once all kind of did, and we've gotten away from. So-- and this is also part of a package of bills that will be coming forth the committee and I think it'll help make more sense when you-- we can see the whole package together. So I hope that helps explain.

GROENE: Any questions? Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. I'm still having some confusion understanding the 529 plan, \$100 is put in, can I as a parent add to that money?

LINEHAN: That money's in a bucket here that waits until that college goes to-- what you, what you will be able to do when you ask that question is First National Bank whose is now got these accounts will say, yes, you can-- you can open an account for your child. And that account will be under your control and it will be in your child's name. So that account grows, and I think behind me, there'll be other ways for employers and other people to put money in that account. And when that child gets his first bill for tuition or books or room and board that money from the bucket moves over to this account. And it'll be the first money out the door. So it's a way to-- think it-- it's really two accounts, is the big for all Nebraska kids account over here that's got-- by the time they get to college-- almost \$300 in it. But it'll be married-- I hope I'm explaining this right-- married to the parents account for that particular child. And as Chairman Groene said, you can-- if that child decides to go the Navy or gets accepted to the military academies and doesn't have an expense, then you can move that to another grandchild or another child. But the money, the money stays in the big bucket until there's college expenses to pay. Which also answers the question and concern about K-12, it stays in the big bucket until there's expenses for college.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

KOLOWSKI: So that-- my question was, can I add to that account? Your answer is, no, I cannot add to that account because that account stays \$100 'til maturation, and you can use it at that time for college expenses.

LINEHAN: Right, but you can easily--

KOLOWSKI: I have to start another account--

LINEHAN: You can open another account and this will enable you-- not you or not probably any of us on sitting here today-- maybe some in the back-- but none of us in the Legislature-- we all know about this. What this does is enables First National Bank to reach out to those parents and say there is an account here opened in your child's name, they will have \$100, and by the time they're 18, and maybe interest rates go up, maybe it's \$400, and if you want you can open another account to match that account.

GROENE: Any other questions? So the Treasurer sends out a letter to the parents of the newborn and tells them this exists.

LINEHAN: Um-hum.

GROENE: All right, and they don't answer, they throw it in the trash and the account's started anyway it says. How does the parent ever know-- reminded again it ever existed? Do they get a monthly statement?

LINEHAN: I wouldn't think they would get a monthly statement. I, I don't know, that could be addressed. And, and you would-- if, if the money-- let's say the-- their child is born and six months later they leave Nebraska, I would assume the money stays in the pot for the benefit of all the other kids that didn't leave Nebraska or the child that was adopted at 12 and comes into Nebraska. So I mean-- I think-- and I know it's important in legislation that I truly do to get, you know, down to every what if. But the big picture here is you represent-- you are trying to reach out to every child born in Nebraska and saying college is possible here. Here's the way you start, and if you want to go to college you need to start setting aside some money, and I think the Treasurer said in his testimony, I don't know, I know Senator Walz was in 4-H, I bet she had an animal she sold somewhere along the line and the money was supposed to go in her college savings account. I'm guessing. So that-- again it's a way to get back to what I think most of us grew up with. You have an

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

account, it's for college or your future, and whether it's because your grandparents gave you birthday money or you sold a calf at the county fair or you did some babysitting you put money in that account. It's a matter of opening-- getting people to open accounts and start saving for their future.

GROENE: Senator Pansing Brooks.

PANSING BROOKS: Thank you. Thank you again, Senator Linehan. So I'm-- could you tell me about the fiscal note? And, and also I'm interested, why you didn't put \$500 in or, I mean, to really make an impact on these kids that would encourage people to go.

LINEHAN: I don't have the fiscal note in front of me--

PANSING BROOKS: OK.

LINEHAN: -- so I'm sorry. But here's, here's what I would say, this is not-- this is about changing behavior and attitude. It's not so much the amount of money in there and the woman who had to leave that's the specialist in this. You did-- I think it was your question or somebody else's question asked how many of the people in Maine with this program is huge open these accounts because it was a state account opened, 85 percent of accounts opened in Maine are related to the state opening an account for them. So it's a huge change in behavior. So, I mean, obviously, if the Treasurer is really, really good at raising private funds, we can increase the amount we put in those accounts. But I think he's trying to start at a place that he feels is doable.

PANSING BROOKS: OK, I guess I'm-- thank you. And do you know what, what the percent was in Maine prior to 529?

LINEHAN: Well, I'm assuming that if it's 85 percent of the residents, there was 15-- I'm just guessing it was 15 percent before, but that's a guess, and we can reach back to her and ask.

PANSING BROOKS: And also I'm just-- I guess we don't know what this-- the fiscal note says it's \$7,500. Does that equal the amount every year that will--

LINEHAN: I assume the fiscal note is because--

PANSING BROOKS: So is that 750 children born every year or--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: No, no, no. I think we are not, at least so it's not-- it's my bill. It's not my intention that we're going to use General Funds or very much of any state funding for this. This is money that the Treasurer plans on generating from the private sector, whether it's the Bankers Association or First National Bank or other people who realize work force development-- who realize this is important to our state. I don't think-- this isn't perceived as General Fund money, this is contributions. You go out and raise money. I mean-- I admire the Treasurer for saying he can do this, it's a big job.

PANSING BROOKS: Well, I, I think it's interesting because their efforts to get money to even to help support different things around the Capitol, and I'm, I'm just very interested in this because I know that they have difficulty getting any money to be able-- or a fund to be able to donate money to refurbish or do anything to the Capitol from a private standpoint. So all of a sudden creating funds for private people to donate is, is just contrary to what I've been hearing is even possible in other segments of our state.

LINEHAN: I think when it comes to raising money for children it's a lot easier than it is for--

PANSING BROOKS: Well, but if people are wanting to give the money and they're being told, no-- I'm not saying that it's not easier or more important. I agree that the kids are more important. But I can't-- what I can't understand is, is why there are some funds that are allowed to raise money for private-- with private money for certain things and not for others. It's just very interesting to me.

LINEHAN: I don't know about-- I don't know what we're talking about.

PANSING BROOKS: I'm sorry, you haven't heard.

LINEHAN: I guess I'm not involved in that.

PANSING BROOKS: Thank you, sorry.

LINEHAN: Thanks.

GROENE: Any other questions. Senator Murman.

MURMAN: Thanks, Senator Groene, and thanks, Senator Linehan for bringing this. And maybe this question's been answered, but if it has I missed it. If God forbid the child dies or moves out of state or

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

just doesn't attend college in the state of Nebraska what happens to the money?

LINEHAN: Oh, thank you very much for that question, especially the last part of that question. We had these accounts when our kids were in college and I was always under the impression that they had to be spent in Nebraska-- it doesn't-- it's any college that's accredited. So if a child decides to go to-- I don't know-- Stanford-- I don't know-- the money can go to Stanford or so it doesn't have to be in-state. If the child dies, I'm assuming that account-- the money that's in the big bucket would probably stay-- would stay in the big bucket I'm assuming. But the money that the parents or grandparents whomever set up for the kid that's the matching individual account here would probably go to whoever that parent or that individual who set up the account would want it to go to.

MURMAN: OK.

LINEHAN: I assume there would be a beneficiary which could be another child.

MURMAN: But what if the money just doesn't get used for college?

LINEHAN: Well, I would assume-- I'm not familiar-- but I'm assuming if you put the money in the account and it's deductible and you don't have to pay interest-- if you take it out and you don't use for college it becomes taxable income to whomever takes the money out. Is what I would assume like an IRA does. If, you know, if you save for an IRA and then you decided at 50 you don't want to-- you don't care about when you're 70 and you spend all the money-- that's fine you can do that, but there's a penalty and you have to pay income taxes on it.

MURMAN: OK, thanks.

LINEHAN: Um-hum.

GROENE: Senator Walz.

WALZ: Ok, so you're saying if they decide not to go to any postsecondary school, any training, anything that they'll still be able to access the money and just--

LINEHAN: Right, it's their money, but--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: [INAUDIBLE]

LINEHAN: Well, wait a minute, it depends on what money we're talking about. OK--

WALZ: OK.

LINEHAN: If the money-- remember the \$100 is in this bucket you only get it-- if it's \$300 or \$400, you only get it when you go to school. The money--

WALZ: Only if you go to school.

LINEHAN: Right, only if you go to school. But I was-- what I was addressing-- if you have an account-- additional account, the matching account that belongs to whoever set up the account.

WALZ: All right, got it. Thanks, sorry.

GROENE: I have one.

LINEHAN: Yes.

GROENE: And you have to be a resident at the time of the state-- as a resident of the state at the time of application so the student couldn't move out as Senator Murman said and spend most of his life in Colorado and then, then try to access it, he'd have to be a resident of the state.

LINEHAN: For the little pot.

GROENE: Yeah, the little one.

LINEHAN: Yep, yep, the little pot. But, remember the little pot is just a way to get all the big pots growing.

GROENE: You can tell I'm a little skeptical, my parents gave me the best gift at all, it's called a work ethic. When my tuition bill came I had a paycheck, and I worked my way through college. So anyway, I think a few kids still do that. Senator Pansing Brooks.

PANSING BROOKS: Thank you very much, sorry. OK, I just looked up how many births there were in 2015.

LINEHAN: Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

PANSING BROOKS: And it was 200-- 2,660-- 2,600-- no--

GROENE: [INAUDIBLE] 26.

PANSING BROOKS: No-- yeah, it is 26,679 in 2015.

LINEHAN: Can we just go with 26,000--

PANSING BROOKS: Twenty-six thousand--

LINEHAN: -- or 27,000 [INAUDIBLE] .

PANSING BROOKS: -- six hundred and seventy-nine. So you multiply that by 100 and we're at 2.6 million, right, 2.6 [INAUDIBLE]?

LINEHAN: Right, you have to raise \$2.6 million.

PANSING BROOKS: So that 2.6 million per year is going to be raised through private don-- as, as a previous fund raiser in our community on a lot of different things, that money 2.6-- what, what if you can't get 2.6 million per year from people for these-- then, then what happens in this fund? I-- I'm just interested in how we [INAUDIBLE] .

LINEHAN: Right. I mean I-- I'm-- I am hopeful and actually have great confidence that the Treasurer has figured that [INAUDIBLE] [LAUGHTER] -- he's got to figure out a way to raise it.

PANSING BROOKS: OK, and that would be annually. And if we don't do it annually--

LINEHAN: That would be annually.

PANSING BROOKS: -- and that's, that's a pot of money that's gonna be just immediately disseminated among every birth.

LINEHAN: Well what if you had 26 Nebraskans, which I think we probably do, that could if they so-- sought fit give a \$1 million a year to this fund. That would be 26 Nebraskans, or let's say you give-- you have 52 Nebraskans that give half a million dollars a year. And I assume they get the tax deduction for this. I mean, clearly if you're gonna raise that kind of money it has to be significant people who can write significant checks. It won't be-- you know, \$500-a-head thing.

GROENE: It's quite obvious you have a lot of confidence in Senator Murante.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: I do.

GROENE: We all do.

LINEHAN: Thanks

GROENE: Thank you.

PANSING BROOKS: Thank you, Senator Linehan.

GROENE: Any other questions? Thank you. I understand where you're coming from.

LINEHAN: Thank you very much.

GROENE: That closes the testimony on LB544. LB547. Senator Wishart. Start when you're ready.

WISHART: Yes. Well, good afternoon, Chairman Groene and members of the Education Committee. I believe this might be-- maybe the first time I've ever been in front of this-- all these beautiful smiling faces, so. My name is Anna Wishart, A-n-n-a W-i-s-h-a-r-t, and I represent the great 27th District in west Lincoln, and I'm here today to introduce LB547. Earning a postsecondary credential from a college or vocational school in our current economy is more critical, but also more expensive than ever. To ensure that postsecondary and vocational access remains affordable, states have taken steps not only to reduce the price students and families pay but also to encourage families to save for future college expenses in the form of a 529 educational savings plan. Named as such after the section of the federal tax code. Research indicates that even small amounts of educational savings will lead to increased college or vocational school enrollment and completion and LB547 is a step to fol-- to allow all families the ability to save greater amounts for their future educational needs. Though there are numerous tax benefits associated with 529 savings plan, they are often underutilized especially among lower- and middle-income households. LB547 creates the College Savings Plan Matching Grant Program and encourages contributions to accounts established by the Nebraska Educational Savings Plan Trust by people with limited means. Under LB547, every child between 200 and 300 percent federal poverty level will be eligible to have a dollar to dollar match for every dollar that goes into their 529 account. For children whose family falls below 200 percent of the federal poverty level, there will be a two to one match for dollars that are

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

contributing to 529 accounts. Applicants must submit an application each year in order to continue to be part of this program. Additionally, LB547 will require the State Treasurer to prepare and submit a report on the program on or before January 31, of each year electronically to the Governor and to the Legislature. The report will include the number of accounts opened under this program, the amount of funds contributed to accounts by the participants and the amount of match-- matching grant funds provided under the program, the average household income of the beneficiaries from whom contributions are made under the program, and an analysis of the success of this program. LB547 also establishes a trust fund to be known as the College Savings Plan Endowment Fund. The fund will be administered by the State Treasurer and, and shall consist of qualified private contributions and any amounts appropriated are transferred to the fund by the Legislature. No portion of the principal of the funds shall be expended for any purpose except investment purposes established by this legislation. Additionally, this legislation establishes the College Savings Plan Cash Fund. The fund shall be administered by the State Treasurer and shall consist of all funds credited from the College Savings Plan Endowment Fund and any other monies appropriated or transferred to the fund by the Legislature. This cash fund shall be used to provide state matching grants that I talked about earlier under the College Savings Plan Matching Grant Program. Any money in the funds available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. College savings accounts are not exclusive to children. We have a work force development crisis here in Nebraska. We have more jobs than we have people to fill them. This legislation will increase awareness and the ability of students of any age to afford the education necessary for them to qualify for the jobs that Nebraska needs filled. I am pleased to work with Treasurer Murante on this important legislation and I would be happy to answer any questions.

GROENE: Any questions from the committee? Thank you, Senator Wishart.

WISHART: Thank you.

GROENE: Proponents?

JOHN MURANTE: Thank you, Chairman Groene, members of the Education Committee. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am your Nebraska State Treasurer here today to, to testify in favor of LB547. And thank you, Senator Wishart, for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

introducing this bill and for your leadership on this. In the first bill, I think we ably talked about the benefits that come from saving for college and that go beyond simply having college savings we're seeing differences in outcome in K-12. We're seeing more acclimation to financial institutions and the benefits that come from that. On this bill, I want to talk to you as I see it about the challenges facing the Nebraska Educational Savings Trust as its trustee. We have a major awareness and accessibility problem to this product. Attorney General's Opinion from last fall ably described NEST as unlike any other state government program this Legislature has created. What you the Legislature has done-- have done with NEST is created an investment product and hired the State Treasurer to go out and sell this product across the country. As you might have heard the statistic from First National Bank, 70 percent of account holders in NEST are not Nebraska citizens. So these are account holders from across the country who find our product very, very good-- a very good return on investment-- and are, and are purchasing them. The reality is of, of the 16 percent of Nebraskans who are invested in NEST and only 16 percent are, are inve-- have-- only 16 percent of Nebraska kids have college savings accounts through NEST, a disproportionate amount of those are upper income. So the challenge that I would propose to you is what you're-- what our policy challenge that we're facing is that we've created a product that we're selling and there-- and are limiting in state policy my ability to go out and sell those to people because we're making them inaccessible by virtue of the fact they're not members of the investor class. With Senator Wishart's bill attempts to do is incentivize a greater audience to go out and purchase these, these accounts through the Nebraska Educational Savings Trust. The benefits to the kids are clear, but the benefit to the trust is also extremely important because to those people with accounts, Senator Kozlowski, Senator Groene, have already said that you have accounts under NEST. Part of my job is to make sure that your fees are as low as they can possibly be. In order to achieve that goal, we need as many accounts with as much money in the Nebraska Educational Trust as is possible. So we need to look at this as a business product and a business decision that we are making, and I believe that this is a good business decision in order to incentivize people who otherwise are very unlikely to invest in the Nebraska Educational Savings Trust. So from a business perspective, I think we are opening the door to a number of kids who would not otherwise access the benefits of the Nebraska Educational Savings Trust. And in addition to that we're helping to dispel some of the misnomers about college savings accounts that we've, we've already discussed, that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

they have to be spent in Nebraska, that they have to be spent at the university level, and we're incentivizing people to get retrained to use NEST as a means of getting to trade, vocational, community college, technical colleges, to get the training that they need to fill the jobs that currently exist within the state of Nebraska. So there are numerous policy benefits to passing this sort of legislation, but I also think a, a, a benefit that is very important to all of the 275,000 account holders through the Nebraska Educational Savings Trust is that it creates a better ability from my office to negotiate terms and, and to lower the fees and make the product even more attractive across the country. So that's something that's important for all Nebraskans, but also it's very important for the account holders through NEST today. So again, thank you, Senator Wishart, for introducing this bill and for your leadership on this, and I'd be happy to answer any questions that you may have.

GROENE: Any questions? Senator Pansing Brooks.

PANSING BROOKS: Thank you. Thank you for coming, Treasurer Murante. Could you tell me-- again explain the, the two for one match?

JOHN MURANTE: Sure.

PANSING BROOKS: Where are those funds coming from?

JOHN MURANTE: So those as they're outlined in this we do envision that to have some General Fund impact. With that said, we, we envision it to be a very modest amount. Other states who have done this, Kansas in particular, have had very, very modest costs for a number of reasons because as I outlined 80 percent of Nebraskans don't know what a 529 account is. And for people who are-- who do not have a lot of disposable income, even if we provide a benefit and we understand that their dollars are going a little bit further by investing through NEST and incentivizing them to invest through this, this particular tool, if they don't have a lot of income and you don't have a lot of disposable wealth there is not a lot to invest so the, the costs are modest but the reward to the people who are investing are great.

PANSING BROOKS: OK, so we did hear on the last bill, LB544, that the goal is-- and in Maine they've gotten up to 85 percent that do now know and have tied their 529 accounts to another account. So, you know, clearly this is a concern about-- there are concerns by people about the attempt to make this all part of a plan to be able to fund K-12 education through this kind of system. So can you-- and I presume

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

that you are still of the opinion that you're in favor of that but that's not what this bill does. Is that correct?

JOHN MURANTE: That's-- that is certainly the case, and I would go maybe, maybe one step further. I'm in the Executive Branch now-- you've hired me and you hired the State Treasurer's Office to administer this program. You are the senators who determine allowable expenses. That's not for my office to, to determine. That is, that is your prerogative and whatever you say is an allowable expense, that's how we will administer the program. So that's, that's the way that I look at it.

PANSING BROOKS: So do you feel it would be hard if this bill is passed-- is it hard to amend this bill to, to allow K-12 education to be funded in a similar manner?

JOHN MURANTE: I would say given that the nature of the Legislature--

PANSING BROOKS: I'm not asking about politically, I'm asking how hard would it be to amend this bill to include-- was, was there any illegal-- anything illegal about amending it to include K-12?

JOHN MURANTE: If the Legislature chose to amend it there's not-- it's not like you're going to get impeached for it. I mean, you have--

PANSING BROOKS: Exactly.

JOHN MURANTE: -- the, you have the ability to do that if you--

PANSING BROOKS: If it even happened this year on the floor, is that correct? If this were to come out of committee?

JOHN MURANTE: So you're saying in a, in a strictly hypothetical term, if there were 25 votes to adopt an amendment and if there were 33 votes to--

PANSING BROOKS: Yes.

JOHN MURANTE: -- overcome the inevitable filibuster that would come with the adoption of the amendment.

PANSING BROOKS: Yes.

JOHN MURANTE: In that hypothetical world, yes. With that said, that seems--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

PANSING BROOKS: Because it is, it is legal, yeah. OK, and--

JOHN MURANTE: Well, it's not legal under the law as it exists, but there's nothing prohibiting the Legislature from changing this or any other law.

PANSING BROOKS: Right, but I mean, there are, there are things that aren't allowed under certain federal guidelines. So it is legal under this-- the law as stated,--

JOHN MURANTE: Oh, certainly.

PANSING BROOKS: -- it would be legal to do that.

JOHN MURANTE: Yes, there's no federal prohibition, constitutionally or--

PANSING BROOKS: That's what I thought. Thank you.

JOHN MURANTE: -- otherwise, from the Legislature doing that.

PANSING BROOKS: And then-- so again I'm looking at-- of course it's really important to-- I think we're all totally wholehearted about taking care of kids in poverty and, and helping them to expand and broaden their lives. So again I'm, I'm sorry because I presume this is so far out that we can't even see a fiscal note, but it has to be in the millions of dollars. Is that correct?

JOHN MURANTE: Oh, certainly not. There, there-- under the current contributions to the, to the 529 account again, we have \$5 billion in, 30 percent of those are Nebraskans. The overwhelming majority would not fit the definition of this in terms of allowable expenses that it would not-- in the case of Kansas, I believe, their fiscal note was \$7,500, so I, I-- I'd go and review that. But that's, that's my understanding, so it would not-- it would certainly not be in the millions.

PANSING BROOKS: OK. All right, thank you, Senator Murante.

GROENE: Senator Linehan.

LINEHAN: Thank you, Chairman Groene. I, I just want to-- I haven't received any pushback from any school organization regarding any of these 529 package. So this is-- I mean, have you been approached by any public school whether it be-- I mean, we've got a letter from the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

Nebraska Association of School Boards-- I haven't received-- have you received any pushback from any public school organization regarding this legislation?

JOHN MURANTE: No, I have not received any opposition from anyone on this particular bill.

LINEHAN: Thank you.

GROENE: Any questions? Senator Murman.

MURMAN: Thanks a lot, Senator Groene, and thanks for being here. I, I guess I still-- I don't understand-- it's very admirable to support poverty students, of course, but if the grant money isn't there to match, how will that-- how would the program work?

JOHN MURANTE: So the, the grant money as it's envisioned in this bill, unlike Senator, Senator Linehan's bill it's-- it is our intent that this be used with General Fund dollars. With that said, we anticipate the General Fund expenditure to be extremely modest given the lack of awareness of 529s, and the lack of ability of low-income Nebraskans to access NEST. So that's, that's our intent, but that's-- so I think that answers-- I hope that answers your question.

MURMAN: So, so you, you mentioned the cost to the state would probably be in the \$7,500 range?

JOHN MURANTE: That was the Kansas experience, that's the data I received back from Kansas, yes.

MURMAN: OK. Well-- so, so you're assuming the grant money would be there, correct, to, to, to, to match the, the 100 percent or the 200 percent and 300 percent of poverty level.

JOHN MURANTE: The \$7,500 is the grant money. So the-- what is going out is the grant money. Where the money comes from would be the General Fund conceptually.

MURMAN: And that's my concern,--

JOHN MURANTE: Um-hum.

MURMAN: -- what it would cost to the General Fund, I guess.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

JOHN MURANTE: It would be that-- with that said, the Legislature just like every other Legislature sets its priorities and you'd have to make a decision as to whether this particular form of incentivization is worth the \$7,500. I'd-- [INAUDIBLE] -- I, I shouldn't use that term-- that number because again that's Kansas's experience. And we haven't run those numbers to give you such a detailed accurate number but you'll have to make the determination of whether that's worth it. I would submit that's a pretty good investment considering the overall expenditure in a \$7 billion budget. That's, that's, that's a, that's a pretty good return.

MURMAN: Yeah, I agree with you. I guess-- I'm just-- something I'm not following here, it seems like to me it would cost more than \$7,500 if we were to disperse that much out in matching grants. Maybe I'll understand [INAUDIBLE] .

JOHN MURANTE: I-- even-- I, I certainly-- candidly I hope so. If, if we could open this up and there is much more interest, but it's-- I can't sell a product to someone who doesn't-- has never heard of the product before. And that takes away a significant percent-- that's 80 percent of Nebraskans that are off the table right there. And then you get to the, the universe of people who qualify under this bill have disposable income and to choose NEST as a-- as their vehicle of choice for college savings, that's a lot of steps to, to get to investment under this, under this bill. We hope to get there and we hope to raise awareness. I mean, that's one of my office's top priorities is, is raising awareness of the Nebraska Educational Savings Trust across Nebraska. And, Senator Murman, if I may, I would say part, part of the challenge that we're facing is that as you might imagine the, the accounts that are opened in Nebraska, the 30 percent, are concentrated where the wealth is concentrated in Douglas, Sarpy, and Lancaster County. And it's greater in Nebraska that are seeing disproportionately fewer accounts across the state. So part of my job is to spread the good news about the Nebraska Educational Savings Trust outside of Omaha and Lincoln and sign up kids across the state because clearly the word is not getting out at this point about the good work. And that's, to be clear, that is not a, a statement of my predecessor or, or the work that's being done by First National Bank or anyone else. It's just those are the statistics as we have them right now and those are statistics we have to overcome.

MURMAN: OK, thanks.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: You don't have to be a citizen of the state of Nebraska to do this. There's nowhere in this statute that I can find in my [INAUDIBLE] says you have to be a citizen. Prior to the new language, it does say in the old language, nothing in Section 85-1801 to 85-1814 in Section 9 and 11 of this act shall be deemed to prohibit both resident or nonresident participants and designated beneficiaries from being eligible to participate.

JOHN MURANTE: To to, answer your question, Senator Groene, if-- it, it is my intent that this bill be used exclusively for Nebraska citizens. If additional language is necessary, I have no problem with that.

GROENE: [INAUDIBLE] it says anybody can do it. We had-- another question-- we had a representative of a bank before you say they took \$120,000 and they created their own. This passes and they say, their \$120,000 would do a lot more good if we donated it here and boom we got a \$120,000 General Fund obligation. Is that not true?

JOHN MURANTE: I'm, I'm sorry, I didn't quite follow you.

GROENE: The way the bill's written it's a match one to one. Whatever, whatever the, the phila, phila, whatever, the donations is matched equally by the General Fund. So now the--

JOHN MURANTE: OK, I see what you're saying.

GROENE: -- representative of the bank says this passes, I can get a lot more bang for our buck instead of doing our own scholarship. We put \$120,000 into this and, and we have \$120,000 instant General Fund obligation. Is that's not true?

JOHN MURANTE: So there's a, there's a practical reality that, that 90 percent of expenditures under NEST right now are from parents and grandparents to their kids and grandkids. So does it create an incentive? Perhaps in, in-- but in a practical world the application as it exists today-- the program as it exists today is almost exclusively to parents and grandparents to their kids and grandkids, so that's how we envision it.

GROENE: No, I'm talking about the fund your creating here to put a match for the, the families in poverty.

JOHN MURANTE: Um-hum.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: We'd setup-- it says the Treasurer shall determine the total amount of-- which is you-- amount of qualified private contributions received and transfer an equal amount from the General Fund to the College Savings Plan Endowment Fund. It's a match--

JOHN MURANTE: Right.

GROENE: -- from this General Fund.

JOHN MURANTE: Correct.

GROENE: So one individual wants to donate to this fund at \$120,000, we match it.

JOHN MURANTE: Correct. Yes.

GROENE: All right. That's, that's the point I was trying to make and it could happen.

JOHN MURANTE: It, it could. I would say again that--

GROENE: You want it to happen otherwise you wouldn't introduce this thing to the committee.

JOHN MURANTE: I mean, we are trying to incentivize more investment in the Nebraska Educational Savings Trust. Again, not just for the kids but to the account holders who currently exist under NEST. But as a practical matter, the overwhelming majority don't come from outside or third party groups it's from parents and grandparents to kids and grandkids.

GROENE: And to clarify, there are some senators don't care what door a poverty kid walks into, if it's [INAUDIBLE] or public. Because if they can get a good education, I'd be willing to help them. I don't limit their application, as was said earlier, their education opportunities, and I don't believe you do either. So thank you, sir.

JOHN MURANTE: Thank you. All right, thank you, members.

DEBORAH GOODKIN: Hello, again. Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, on behalf of First National Bank. I just want to clarify something. We actually have, you know, we have four plans and the Nebraska Educational Savings Trust and the direct plan which is, is sold mostly to Nebraskans. We spend an awful lot of time going around Nebraska and meeting with individuals and groups. Sixty-four

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

percent of all accounts in the direct plan are from Nebraskans. When you look at the plan as a whole the numbers get lower, but the direct plan which is where the Treasurer's Office typically goes out throughout the community, and we do-- and we go to employers and a whole bunch of other groups, and that's 64 percent of the accounts, and they're only 38 percent of the assets. The, you know, all children in Nebraska should really have the opportunity to go to college. And we went over that in the previous bill, but lower income people really can't afford the costs of postsecondary education. And a lot of them are going to be attending technical, vocational schools, universities, or community colleges. And what you want to do along with the Meadowlark Scholarship is to encourage more and more and more Nebraskans to talk about going to college with their children and also to talk about, you know, putting their money where their mouth is by putting the money in an account to save. It's very easy to save I have money but if you don't actually see it grow and actually see it on a piece of paper, well that makes a big difference. As discussed earlier postsecondary education is one of the best investments that Nebraska can make both economically and socially for the family and for their child. And having some technical skills, if that's what they want, or becoming professors or doctors or treasurers even does require some postsecondary education. We have spent a lot of time going out to low-income communities. We've not only have the scholarship program which is open to all, but the NEST plan also has Teach Children to Save week, in which we go to hundreds of schools throughout Nebraska to encourage third graders to go to college. And we also during that time period sign people up. We have banking programs that give matches to the child if they open up a child's savings account. But what we're talking about is getting to those first-generation college goers and to individuals of lower financial abilities to save on their own, to encourage them to save and to give them feedback as to how to save, and what savings means and what an education means. Someone previously mentioned that when you-- an awful lot of programs focus on high school kids. Some of them begin in 9th grade, some of them begin in 11th grade. This is another opportunity to start when a child is younger hopefully and to get that conversation going and not waiting until a great portion of individuals or children have decided they're not going to college because they can't or they don't want to. So what you have before you is an opportunity to create a triad of financial investments for Nebraskans of all income levels. This is a low-income match, Meadowlark is for all, and the state tax deduction as we've mentioned are for those who have more disposable income typically to invest. And all these initiatives together along with educational

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

initiatives that you're working with are going to show Nebraskans the state's dedication to higher education. And that's really what it's all about. Thank you.

GROENE: Thank you. Any questions? Thank you for your testimony. Next proponent.

PAUL TURMAN: Members of the committee. Again, Paul Turman, the chancellor of the Nebraska State College System, spelled P-a-u-l T-u-r-m-a-n, testifying in support of LB547. Again my previous comments in relation to LB544, I talked about three kind of general areas in which these types of programs certainly are, are good broad kind of public policy that are worth supporting first-generation students, how do we meet our attainment goal, as well as making sure that we foster the right type of environment to curb kind of net migration of Nebraska graduates. So I won't replicate my testimony connected to each one of those areas, but I think this is certainly as you begin to look at how do we curb and, and make sure that we're doing the work that's necessary in each of these three areas. A multifaceted approach to putting programs like this in place provide us, I think, the long-range kind of opportunities to begin to make sure that we're doing the things as a state that compound against what other states around us are, are currently doing. This certainly represents a very good model for shared responsibility creating a state match program that encourages particular behavior from families that right now are not engaging in the type of behavior that you want to try to promote. So I'd ask that you'd support LB547. I'll be happy to answer any questions you might have.

GROENE: Questions? Are you familiar with the financing of a student coming into one of your-- one of the colleges?

PAUL TURMAN: I am, yes.

GROENE: A kid-- 18 years old walks in and he comes from a low-poverty family, very poor. He's got Pell Grants. How much would it cost with all the programs out there, federal and state, already, would it cost the child-- a young person who's truly poverty, 100, 200 percent, to go to Chadron State?

PAUL TURMAN: So after you subtract Pell?

GROENE: And other programs that are out there, we have state programs.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

PAUL TURMAN: I would say that, I mean, at least understanding kind of what our, our net cost after you subtract grant and aid opportunities for an average student somewhere in the range of about \$12,000 to \$13,000 when calculating all the, the way that the feds calculate cost of attendance. So \$12,000 to \$13,000 after grant and aid have been applied to those students.

GROENE: Per year, per semester?

PAUL TURMAN: Per year, yes. That's room and board, textbooks, the cost of tuition, additional fees.

GROENE: So what's your total cost before the Pell Grants and aid and opportunity scholarships and--

PAUL TURMAN: I believe comparing against our peers somewhere in the range of about \$4-- to \$40-- \$4,000 to \$4,500 worth of grant and aid to an average student that comes to one of our institutions.

GROENE: So your total cost is about \$18,000 a year.

PAUL TURMAN: Sixteen to seventeen, yes, in that range.

GROENE: Thank you. Any other questions? Any other proponents?

AUBREY MANCUSO: Good afternoon, Chairman Groene, members of the committee. My name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I'm the executive director of Voices for Children in Nebraska. I, I would just add to this conversation that as it's currently structured we do have a form of both state and federal spending that incentivizes savings in a 529 plan in the form of tax deductions. And even though, you know, the state doesn't see that as spending in a General Fund impact, there is essentially spending in the form of lost revenue. And the challenge with that, is that those deductions are really only accessible to middle- and higher-income families. And so the families that are most likely to need and could benefit from the savings are least likely to be able to access the incentives that we have built into current law. And LB547 creates a new incentive in the form of a matching payment that is more accessible to those lower-income families. And on the second page of my testimony there's data, although it does not distinguish by resident or nonresident for who is participating in Nebraska plans for 2016, and you'll see that the majority of families participating in the plan had an income between \$100,000 and \$500,000, which is above the median income for Nebraska

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

and so this is an incentive that would help target towards those lower-income families who are more likely to need the savings and less likely to be able to access our current incentive. So with that, I'll thank you for your time and encourage you to advance the bill.

GROENE: Any questions? Thank you. Any other proponents? Opponents? Neutral? Letters in favor were from Hank Bounds, President of the University of Nebraska; Shira Markoff, Associate Director of Prosperity Now; Colby Coash, Associate Executive Director of Nebraska Association of School Boards; Kayla Meyer, Young Professionals Group Coordinator of Lincoln Chamber of Commerce. No opponents and no neutral. Do you want to close on the bill?

MORFELD: She had to go to another hearing.

PANSING BROOKS: She left.

GROENE: So she's waiving closing?

MORFELD: I'm assuming so, she's at another hearing.

GROENE: That ends the hearing on LB547. Senator Bolz, would you like to present LB563?

BOLZ: Good afternoon, Education Committee. I am Senator Kate Bolz, that's K-a-t-e B-o-l-z, and I'm here to present LB563, the Access College Early Tech Promise Program Act. As the Education Committee, you're probably already very familiar with our ACE program with our Access College Early Program which provides dual credit opportunities for low-income students in Nebraska while they're still in high school. Two thousand one hundred fifty-seven students received scholarships in fiscal year '16-'17, and it's been proven to have a very positive impact on the college-going rate for those low-income students. The ACE Tech Promise Program would take the next step by supporting ACE participants at the postsecondary level. In other words, it would provide a scholarship to low-income students who have successfully participated in the Access College Early Scholarship Program Act at the high-school level by providing a scholarship when they decide to pursue a certificate, diploma, or associate's degree full-time at a community college or at the Nebraska College of Technical Agriculture. The program would provide scholarships to students providing-- pursuing education in in-demand occupations which is already defined in statute but includes things like financial services, transportation, biosciences, health services, engineering

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

services, and other things. The examples of programs that students might pursue could be a licensed part-- practical nurse or an associate's degree in information technology, both of which are in very high demand in the state. In fact, the National Skills Coalition says that these middle-skill jobs account for 56 percent of the Nebraska labor market but only 47 percent of the state's workers are trained to do this work. So I will provide this fact sheet to you and I'd also like to, at this point if I may, introduce an amendment for your, for your consideration. In addition to proposing the scholarship program itself, I have an idea for you to consider regarding-- a couple of things to hand out-- regarding a funding stream. As the Education Committee, it's your privilege to make some choices about the distribution of our lottery proceeds. A bill I brought a couple of years ago that's also focused on career and technical education, the GAP Tuition Assistance Program, which provides scholarship assistance for students pursuing credentials in a short-term degree program has been underspending over the past couple of years. It's been well-received, it's working as it should, but it hasn't been spending the full 9 percent of the lottery funds that this committee allocated to it. So one proposal for funding the ACE Tech Promise Program would be to change the lottery distribution allowing 6.5 percent of the funds to continue to go to the GAP Tuition Assistance Program and allocating an additional 2.5 percent to the ACE Tech Promise Program. As you know, as the Education Committee, you have to take another look at the lottery distribution in a couple of years anyway. You could consider using those lottery funds to pilot the ACE Tech Promise Program to see if it's well-received, to see if it achieves the goals that we think it will, and to prepare you for consideration of multiple higher-education options when you redo the lottery proceeds distribution in a couple of years. So I hope that came across clearly, clearly, I'd be happy to answer any questions for you.

GROENE: Any questions? Senator Brewer.

BREWER: Thank you, Mr. Chairman. I have a big smiley face on here so--

BOLZ: Hey, that's a good sign.

BREWER: I like, like my red. Obviously, with someone lined up there to follow you, the question about concern on jobs which are more in the trade category like community colleges and all. This is a pretty good fit for that, isn't it? I mean, isn't that kind of the--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

BOLZ: I, I absolutely think so. I, I was going to mention and I'll mention now since you brought it up. In particular, I think this is a nice fit with some of the work currently being done in career academies across the state which are trying to focus on those career and technical jobs. Here in Lincoln, our Career Academy has pathways including ag and bioscience, health sciences, and IT programming. Students pursuing those, those pathways could go on to Southeast Community College and get degrees in agriculture and business, computer IT, and health sciences, and there are many programs that would apply and the scholarship approach would give them the resources to do that.

BREWER: I think your idea on the lottery is, is spot on. It's, it's the right thing to do.

BOLZ: Happy to have your support, Senator.

GROENE: Any other questions? Senator Walz.

WALZ: I just had a question about the, about the remainder of the 2.1 percent or the 2. [INAUDIBLE] of the lottery funds. About how much money is that, do you know?

BOLZ: I can provide for you an analysis. I'll give it to the legal counsel, an analysis that the legislative fiscal office did for me. It-- the reason we picked 6.5 and 2.5 is because the numbers match. So the distribution of lottery proceeds in '17-'18 that would go to the GAP program is 8.1 approximately. It spent in that last year 1.4, so the difference is roughly 400 which you'll note in the fiscal note is roughly the cost of what we're, what we're expecting the ACE program to, to cost in terms of the kids that we know have already participated at the high school level and are likely to go on and need additional scholarship funds. So I'll maybe have one of the pages pass this analysis on to the legal counsel for your review. OK.

GROENE: I have a question.

BOLZ: Oh, go ahead.

GROENE: Don't quote me, but I thought lottery funds hovered around that \$16 million a year?

BOLZ: Right. So the GAP program is 9 percent of that and the analysis that Phil did for me showed that 1.88 something got distributed to the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GAP program. Maybe, maybe I'm not working the math path-- back, back well enough but that's what I got from [INAUDIBLE].

GROENE: Your bill-- your original bill addresses the GAP program, right, and expand the use of that money?

BOLZ: That's a bill I'll be bringing to your committee later this year.

GROENE: But this one is on the ACE one.

BOLZ: Right.

GROENE: Where does the money come from again?

BOLZ: The, the amendment that I brought you proposes that we--

GROENE: Where's it come from now, as it already exists?

BOLZ: It's a new program. The-- sorry, the, the, ACE program, the-- forgive me, I understand your question now. Sorry for moving too quickly. The ACE program is generally funded so the Access College Early Program is currently generally funded. So--

GROENE: This is a whole new program, I'm getting bills confused then, probably.

BOLZ: Yeah, so this would, would be a scholarship initiative for those kids who proved their worth at the high school level.

GROENE: Historically, this committee's looked-- has a sunset on the lottery money and then we look at it as a whole. I prefer to just keep it that way.

BOLZ: I, I appreciate that. And, and I understand why--

GROENE: Because everybody's gonna come nit-picking at it and a little bit here, a little bit there.

BOLZ: I appreciate that. But I do think--

GROENE: I mean, just my opinion.

BOLZ: I, I appreciate that. I, I also think that we-- that in the time that we have left for the, the lottery program is it will play out. There's no reason to not expend funds that could be used for young

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

people who want to pursue a career and want to get those skills and want to get--

GROENE: Refresh my memory, which funds aren't being used right now for what program?

BOLZ: So the GAP Tuition Assistance Program is underspending the, the 9 percent that is allocated to the GAP Tuition Assistance Program. We haven't been able to have full participation or to say differently the participation that was projected when we passed the bill originally, it just hasn't been as popular as we projected.

GROENE: But you have a bill to address that--

BOLZ: Yep.

GROENE: -- expand it, right?

BOLZ: Um-hum.

GROENE: All right.

BOLZ: Yeah, and that's for this committee's consideration, too.

GROENE: All right, thank you.

BOLZ: Um-hum.

GROENE: Any other questions? Thank you, Senator Bolz.

BOLZ: Thank you.

GROENE: Proponents.

KATHY DANEK: Good afternoon, Senator Groene and distinguished members of the Education Committee. My name is Kathy Danek, K-a-t-h-y D-a-n-e-k. I am a member of the Lincoln Public Schools Board of Education. I am here today to speak in support of Senator Bolz's Access College Early Tech Promise Program Act and applaud her efforts to support the smooth transition for students from high school to college in career areas that are both economically viable for the student and vital to the economic development of the state of Nebraska. This bill does not directly support the students while they are in a public K-12 setting, but it will play a very important role in facilitating students' next steps. Many students in high schools all across the state participate in career academies or career

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

preparation programs in career areas of high-demand in their local communities and in Nebraska to early access to college career courses. Unfortunately, most students graduate from high school prior to completing community college degrees or career certification. This requires them to continue in college to finish the work that they began in high school. We know that students who complete their community college degree or career professional certification close to home are more likely to stay and live in their local communities. A program to help students complete the degree or career certification after high school brings to fruition the community's investment in early college career course opportunities in high schools and career academies and keep skilled workers close to home. For example, this would keep well-prepared and skilled individuals in the fields of precision metal manufacturing, biosciences, agriculture, business management, and administrative services software and computer services, research, development, and engineering services, health services, and more living and working in our state of Nebraska. If the Access to College Early Teach-- Early Tech Promise Program Act becomes law it would help many students who may not otherwise have the chance to make smooth and unbroken transitions to postsecondary education career courses and complete their degree and certification. This Act would play a vital role in the long-term success-- their long-term success, the long-term success of their family, and the long-term success of our state of Nebraska. Thank you.

GROENE: Any questions? You a-- you have a Career Academy do you not in conjunction with the Southeast Community College?

KATHY DANEK: We do, Senator.

GROENE: Is it successful?

KATHY DANEK: It is in its second year and it is posting successful numbers. It still doesn't have enough long-term data at this point. We know that the students that complete the programming do go on to college. What we need here is a step up for kids who can't afford that next step of college.

GROENE: It's, it's only been in existence two years, I thought you had it longer than that.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

KATHY DANEK: This-- I think we passed it on the 2014-15 bond issue, and then it was built. And then I think this is our third year, so two years completed.

GROENE: How many kids are enrolled in it? Could you give me some examples of programs you have there?

KATHY DANEK: We have health sciences. We have technical education. We have a welding program, which welding is one of the most highly sought after jobs in our area. What we did is we worked with the business community here as we developed this program and said, what jobs do you need? And they became our proponents when we, when we opted to do this Career Academy. So those are the ones that are the most successful for students right now. Students-- we tailor it to the needs of the students and the needs of the community that they serve-- that we serve.

GROENE: Blue-collar jobs.

KATHY DANEK: A lot of blue-collar jobs. Some, I mean, when you go into programming and computer and that kind-- I'm pretty sure those aren't blue collar. And I would say, Senator, auto mechanics used to be what like we would call a blue-collar job but my car has more computer parts in it today than it had-- than I had in my house in my computer. So I would say that the things we need to do right now are to make sure our kids have access to the training for the jobs and the changes in how those, those things that they do will serve us in the future.

GROENE: I didn't use the term blue collar as an insult [INAUDIBLE] --

KATHY DANEK: No, my husband's a blue-collar worker and I'm very proud of it. So--

GROENE: Heart of America, thank you.

KATHY DANEK: It is the heart of America.

GROENE: Any other questions?

KATHY DANEK: Thank you, Senator. Thank you, Committee.

MIKE BAUMGARTNER: Good afternoon, Mr. Chairman and members of the committee. My name is Mike Baumgartner, spelled, 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. I'm here today to support

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LB563 to establish the Access College Early Tech Promise Program. Daily we hear or read about Nebraska's work force shortage. There are multiple reasons for the problems, and there are many solutions underway or being considered. I believe the Access College Early Tech Promise Program should be one of those solutions. I think it's an exciting opportunity because it packages research informed to best practices aimed at helping low-income students complete a certificate or degree in a high-demand field. Among those best practices are: it encourages students to participate in high school career academies; it encourages students to complete a technical career and technical education sequence in high school, which includes both breadth and depth in the coursework; it encourages students to complete dual credit courses, which expedite college completion; it can provide a link to the state's investment in the Nebraska Developing Youth Talent Initiative; and require students to complete the Free Application for Federal Student Aid or FAFSA; it encourages students to attend full time which improves completion; it helps meet the higher expenses students face in technical courses due to requirements for tools, equipment, supplies, uniforms, certifications, and textbooks; and it will encourage graduates to stay and work in Nebraska. The ACE Program would build on the Access College Early Scholarship Program, a highly successful scholarship program that provides scholarships to low-income high school students taking dual credit courses or concurrent enrollment courses in college while in high school. ACE scholarship recipients enroll in college within a year of high school graduation at much higher rates than the low-income students who do not receive ACE scholarships, 84 percent compared to 52 percent in 2016-17, and even at a rate higher than non-low-income graduates which was 78 percent. The ACE Tech Promise Program would lever-- leverage the investment taxpayers, not to mention the students themselves have already made in their educational success. Many ACE scholarship recipients, like other dual credit students, focus on general education requirements such as speech communication, college algebra, chemistry, American history, etcetera. And that's good, and we should encourage it. But hundreds of ACE recipients complete one or more dual credit courses in a career program of study. For example: auto body, automotive technology, construction technology, information technology, health/nursing, advanced manufacturing, and more. The ACE Tech Promise Program requires students to have taken at least two dual credit courses in a career program of study. Two is a good baseline because it's a strong indicator of student interest. That is, it's more than just a sampling of courses that are available, it means students will already be making progress toward timely completion of a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

certificate or degree. An ACE Tech Promise Scholarship would be a meaningful amount of aid. Many college scholarship programs-- college promise programs around the country are so-called last-dollar scholarships. They start with the students Pell Grant, and if that covers tuition and fees the promise program typically pays nothing. While there is still a lot to like about those programs, and they are proving successful in other states in getting students into college, they fail to address the additional costs students incur, living expenses, transportation, books, supplies, etcetera. The ACE Tech Promise Scholarship would provide a minimum of \$1,500 per student. The program would be inexpensive to start-- at, at start-- at least the beginning, hopefully it, it would be very successful. The number of students currently receiving ACE Scholarships for two or more courses in fields that would likely be eligible is not large, about currently around 150 in, in a number of different programs. And not all of those students would take advantage of the program, not all would return for a second year. Because students were ACE eligible most will receive a Pell Grant that covers tuition and fees at a community college where the average tuition and fees are about \$3,100. Maximum Pell Grant in 2018-19 is about \$6,100. The average Pell award for a first-time, full-time Pell recipient at a community college in Nebraska ranged from \$3,000-\$5,000. Altogether, we estimate the program will cost about \$250,000 the first year and a little over \$400,000 for the second year. As Senator Bolz has noted, given the current rate of spending in the Community College GAP Assistance Program, there are funds available in that program to pilot the ACE Tech Promise Program to offer a proof of concept moving forward. And I would be happy to respond to any questions you may have.

GROENE: Any questions? Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Thank you very much for being here. So-- I had to introduce another bill so maybe I'm not understanding this. These are for students who are just leaving high school, they've started this program in high school and they're going to finish it after they've graduated from high school.

MIKE BAUMGARTNER: Yes.

LINEHAN: So what's the average-- so are we really-- we're not looking for degrees here, we're looking for certificates?

MIKE BAUMGARTNER: Certificates and associate degrees.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: And associate degrees.

MIKE BAUMGARTNER: Yeah.

LINEHAN: So how long does it-- if, if a child or student is able to do as much as they can in high school how much time is left before they get to that associate's degree or certificate?

MIKE BAUMGARTNER: They should be able to finish an associate's degree within two years bringing the credits with them, and this assumes that they're going to be going at least 24 credit hours a year. It, it is a two-year program so they have an incentive to finish their degree in two years.

LINEHAN: But if, if it's gonna take two years what did they gain in high school.

MIKE BAUMGARTNER: Well, usually-- hopefully they will bring with them, because they've had to take at least two dual credit courses, they will have at least six credit hours going with them. It would be nice if they would have more. If they had two general eds along with two CDE courses, they could have 12.

LINEHAN: OK.

MIKE BAUMGARTNER: So this assumes that they're gonna need about 60 hours for an associate degree. If they're going 24 credit hours each year, they're still going to be able-- they're gonna need two years, but they'll get done on time. On time is, on time is good, and hopefully they can get done a little earlier.

LINEHAN: OK, thank you very much. I appreciate it.

GROENE: Any other questions? Thank you, sir. Next proponent.

GREG ADAMS: Good afternoon, Senator Groene, members of the committee. My name is Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Nebraska community colleges. I'll keep it short. I think that my thunder has been stolen. But what I would tell you, if you notice the title of the scholarship the word promise is in there. College Promise back in 2013, 2014, became kind of a national term based on the labor shortage that virtually every state in the Union is experiencing. Every state has kind of taken off to try to determine how to conquer it, and you'll notice and, and you will, because there's a number of scholarships that have been introduced this session. College Promise

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

right now in about 19 states, are state-- are actively supported by the states. There are other College Promise programs that may be supported in a community college by the actual community where the college is at in a lot of different ways. But 19 states closest to us: Minnesota, South Dakota, Wyoming, Missouri, have College Promise programs. What I would tell you is that for every program there is a different way to set it up. You can set it up any way that you want. If you look at Tennessee for instance, one of the first programs in 2014, Tennessee, the state of Tennessee, the state of Tennessee pays 100 percent, 100 percent of tuition for any kid that wants to go to a community college. And, most recently, they've even opened it up to adults that want to go back and get a certificate or a credential or an associate degree. This particular bill by most standards is fairly conservative. We're taking a successful program that data tells us is successful and that's the ACE's program. Those students in high school that take a dual credit course, first they're free and reduced lunch eligible, so think about their confidence level in going to college in the first place. They take a dual credit course, they're successful in high school. The data says that you've given them the confidence to move on to the next step and try higher ed, in this case it would be a community college. And the, the next part of this is that we're saying it's last dollar in so the Pell Grants and the Rotary scholarship and all those things would get calculated in first, and this would come in and backfill. Other states like Tennessee, it's, it's front-loaded, but, but not this one. It's also for high-demand career positions and technical positions. So there's-- other states will put GPA in it, they'll, they'll put all sorts of different eligibility into it. South Dakota, they want you to stay in the state for three years. There-- there's a lot of different ways to approach this. This one that the Coordinating Commission and Senator Bolz have put together, I think is a good launchpad because we're taking off on an existing program that's successful and we're trying to see what would be the success rate moving on from there and it's, and it's fairly conservative. I'll stop right there and try to answer questions if you have them.

GROENE: Questions? The previous-- Senator Linehan asked Mr. Baumgartner-- the certificate program, that's one year, right? Welding--

GREG ADAMS: Depends on what the certificate is.

GROENE: Could you list some of the certificate programs?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GREG ADAMS: Well, you could just get a welding degree-- not a degree, but just a certification in welding.

GROENE: [INAUDIBLE] Is there's others?

GREG ADAMS: I suspect that there are. Some of the auto mechanics may be, some of the electronics may be-- a, a CDL license to drive a truck.

GROENE: They would qualify for this?

GREG ADAMS: They wouldn't necessarily qualify for it, depends on the high-demand area has the statute points out-- or the bill points out.

GROENE: Yeah, it'd be hard for a high school kid to get any semi driving experience in the ACE program and then [INAUDIBLE].

GREG ADAMS: Right. Right. Unless they come from a farm background, they've already been in there.

GROENE: They would have to already be in the high school program to--

GREG ADAMS: Well, that they could move-- they could finish high school, they've got their two dual credit courses that they passed, maybe one of them was in math and one was is English. They move on to a community college and they can get right into-- if a CDL program was part of the eligible program that can move right into it.

GROENE: Thank you. Any other questions?

GREG ADAMS: Thank you.

GROENE: Next proponent.

SUSAN MARTIN: Good afternoon, Chair Groene and members of the Education Committee. My name is Susan Martin, S-u-s-a-n M-a-r-t-i-n. I am representing the Nebraska State AFL-CIO and Nebraska's working families. This is kind of a first time for me here in Education. In an economy where more than 80 percent of all jobs require some form of postsecondary education or training, expanding access to programs at community and technical colleges is increasingly critical to Nebraska's continued competitiveness. For many of these jobs, particularly the roughly 53 percent of jobs in the U.S. labor market that require more than a high school diploma but not a four-year degree, degrees or certificate programs offered at community or

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

technical colleges can provide the right skills and credentials to help workers and businesses succeed. It is not just a question of ensuring that instruction is aligned with industry demand. To truly address the demands for skilled workers in today's economy, we must ensure that the broadest possible range of students are able to take advantage of these education and training opportunities or options. With Nebraska businesses struggling to find skilled workers for current job openings, it's more important than ever for policymakers to identify effective strategies that will attract students to career opportunities beneficial to Nebraska and to those high-demand jobs. Developing strategies to develop a high-quality, high-paid work force and to identify barriers to young adults who are career-ready with labor market values aligns with our organization's mission and programs. We are committed to the statewide enhancement of any type of career education because it creates multiple pathways to real-world job skills and economic prosperity. It's our responsibility to maintain and enhance our work force and provide these options to our young people forging a new path to life. Not all youth and young adults have access to college education. By passing this legislation, it will increase not only their opportunities but benefit Nebraska employers. It's time to invest in our young people and provide them with an option for their future. We need to focus on the development and application of career-ready skills and increase the number of students and employees who complete middle-skill, high-demand career pathways in Nebraska's economic priority areas. I thank, Senator Bolz, for bringing this legislation forward and truly believe it is a good investment in Nebraska's future. Thank you for your time.

WALZ: Thank you. Any questions? Senator Linehan.

LINEHAN: Thank you, Senator Walz. Thank you, Ms. Martin, for being here. I think you were in front of the Revenue Committee.

SUSAN MARTIN: Pardon me.

LINEHAN: Not-- I seem-- did you testify recently in another committee?

SUSAN MARTIN: In front of the-- yeah, Revenue.

LINEHAN: On the-- it was the-- help me-- I can't think of the right name of the program.

SUSAN MARTIN: It was another probably apprenticeship--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: Apprenticeship program.

SUSAN MARTIN: Yeah, apprenticeship program.

LINEHAN: Thank you.

SUSAN MARTIN: Um-hum.

LINEHAN: So do you think-- does this program compete-- would it compete with your apprenticeship programs?

SUSAN MARTIN: I, I don't think so. I think with this program it's helping those from high school transition into a more of a technical career. They could get their two-year degree and then perhaps go on to apprenticeship, so I think this is a pathway to that.

LINEHAN: So you see this between high school and the young people that were here the other day with your apprenticeship program.

SUSAN MARTIN: Yeah, right. Um-hum.

LINEHAN: OK, that's helpful. Thank you very much.

WALZ: Any other questions? Thank you.

SUSAN MARTIN: OK.

WALZ: Next proponent.

ANDY HALE: Good afternoon, Vice-Chair Walz. My name is Andy Hale, A-n-d-y H-a-l-e, and I'm vice president of the Nebraska Hospital Association and I'm here to support LB563. Seventy-three out of Nebraska's ninety-three counties have a lower than national average of registered nurses to patient ratio. Sixty-six of our counties have been deemed medically underserved. Nine counties in Nebraska have no registered nurses and four counties just have one registered nurse. The nursing shortage affects both Nebraska's-- Nebraskan's physical health and its economic health. Lack of care impedes the ability of communities throughout the state to draw and hold residents and the businesses that employ them. Excuse me. The Nebraska Center for Nursing conducted research that showed by 2025, Nebraska will have a work force shortage of over 1,600 licensed practical nurses, the LPNs. Our hospitals struggle at attracting and retaining not only nurses but other staff such as surgical tech-- technologists and laboratory technicians. Establishing the ACE Tech Promise Program will take us in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

a step in the right direction in improving these work force deficiencies. I'd like to thank, Senator Bolz, for bringing this bill and working with us on these issues and I urge you to support LB563.

GROENE: Any questions? I wasn't-- Senator Brewer.

BREWER: Thank you, Mr. Chairman. Just out of curiosity, when you rattled off those counties that don't have any nurses, plenty of those are in the west.

ANDY HALE: Correct. In our rural communities, yes. In your-- I, I believe we have a few in your district.

BREWER: If you took my 13 counties, there'd probably be a few of them to fit in that.

ANDY HALE: Correct.

BREWER: For a, a LPN, that's normally a two-year course and then a RN is a four-year course, is that kind of [INAUDIBLE] --

ANDY HALE: Roughly, um-hum, yep.

BREWER: So this would probably be the direct impact with the LPNs and Alliance trains LPNs?

ANDY HALE: I think, yes, several of our community colleges do. Yes.

BREWER: OK, thanks.

GROENE: Any other questions? I missed most your testimony, but one of the things that's always bothered me-- we have a community college in North Platte--

ANDY HALE: Um-hum.

GROENE: -- we have tons of applicants. We only can take so many applicants a year not because we can't educate them, it's the internship or whatever that goes through the--

ANDY HALE: Hospitals.

GROENE: -- that's the bottleneck. How can we fix that?

ANDY HALE: Oh, I think working with, with area hospitals-- I know, I know obviously North Platte would be where the majority of them would

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

go. But we know we have other hospitals in areas that I think would be open to establishing more internship programs in those.

GROENE: In more populated areas, is that a problem? Is UNL or, or Saint Mary's or some of them in Omaha?

ANDY HALE: No, I, I believe in our urban cities--our, our bigger hospitals don't struggle as much as our rural communities do.

GROENE: I'm not talking about that I'm talking about the intern-- I'm looking for the term-- an intern isn't correct. There's a term-- the second year they actually spend all their time.

ANDY HALE: It's like a-- essentially you call it a residency--

GROENE: Residency.

ANDY HALE: -- type thing. Um-hum.

GROENE: That's the bottleneck.

ANDY HALE: Um-hum.

GROENE: Not that we don't have individuals who want to be nurses-- they have waiting lists in North Platte.

ANDY HALE: Um-hum.

GROENE: So we're not lacking applicants, we're lacking-- how do we get through that bottleneck?

ANDY HALE: Well I think in regards to North Platte, I think the other parts of the state-- now I, I know we'd have an issue attracting that type of work force to those other parts of the state as well. I mean that would be an option if they did their residency at maybe some smaller hospitals across the state and then transitioned back to North Platte.

GROENE: I guess we'll have to do some research and find out how--

ANDY HALE: Exactly.

GROENE: -- how it affects other nursing schools and getting them through, through the residency part of it.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

ANDY HALE: Yeah, right now as, as I mentioned you were out of the room, but for the LPNs which is, is as Senator Bruin-- Senator Brewer said, it's just a little step-down from the RN. By 2025, it's overall in the state we're anticipated to have a need for 1,600 LPNs. So the example in, in North Platte will-- I, I understand your point but overall the state is an issue and this is where Senator Bolz's bill will have a direct impact.

GROENE: Wouldn't help us if we can't get them into the school, we can only take so many applicants-- if, if you get my point.

ANDY HALE: No, and I, I understand the issue you have in North Platte.

GROENE: And you understand in rural Nebraska, we have 13 counties with less than 1,000 people, there's not even a doctor let alone nurse.

ANDY HALE: Right.

GROENE: So we don't have a shortage, shortage of nurses, we have a shortage of customers for the doctor and the nurse. So county lines don't mean a lot out west.

ANDY HALE: Um-hum.

GROENE: We have regional health care and we go to Valentine or North Platte and we're not afraid to die tomorrow, we're willing to drive 50 miles to a doctor. So anyway, thank you.

ANDY HALE: Thank you, Senator.

GROENE: Next proponent? Opponent? Neutral? We have letters from proponents of Dr. Michael Chipps, President at Northeast Community College; Heath Boddy, President and CEO of Nebraska Health Care Association; Bryan Sloan, President of Nebraska Chamber of Commerce; Colby Coash, Associate Executive Director of Nebraska Association of School Boards. Opponents none. Neutral none. Senator Bolz, is she here to close?

_____ : No.

GROENE: If she waives closing, that closes the hearing on LB563. We'll go now to LB639. Is Senator Stinner here? Anytime you want to start, Senator Stinner.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

STINNER: Thank you. Good afternoon, Chairman Groene and members of the Education Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the Legislative District 48 which is all of Scotts Bluff County. I introduce LB639 this session to begin a conversation at the Legislature about a critical unmet need in our state. The Nebraska Department of Labor projects that over 34,000 openings in high-demand, high-skill, high-wage, or H3 occupations will occur each year through 2026. In addition to meet a work, work force demand, H3 jobs usually have wages above the county averages which is an absolute key to increasing economic prosperity. As I look at the projections in my region, for an example, there is agreement with the needs I hear from business and community leaders. For an example, including 125 annual openings in accounting, finance, bookkeeping professionals, a 100 annual openings for K-12 educators, 63 annual openings for registered nurses and 17 annual openings in computer science related occupations. And I do want to stress, these are annual openings which need to be filled. A need that will continue to grow over time. Currently our public postsecondary education institutions are unable to produce enough graduates each year to keep pace with H3 openings. LB639 is a strategy to address this work force need. As drafted, LB639 would appropriate \$10 million in fiscal year 2019-20, \$20 million in fiscal year 2020-21, and \$30 million each fiscal year thereafter to the Nebraska Department of Labor to offer scholarships to students at a community college, state college, or the University of Nebraska pursuing majors that will lead to careers in an H3 occupation. The Nebraska Department of Labor will set the college admission-- test requirements at a level to reward high-achieving students. The educators testifying after me intend to comment on the number of high achieving Nebraska high school students who are choosing to pursue their postsecondary education outside the state. Recipients of the H3 career scholarships would also be required to complete an internship with the Nebraska business prior to graduation. Both requirements are included to increase the probability that we will retain Nebraska's best and brightest to live and work in our state after completing their education. While the state's current fiscal situation will likely prevent the implementation of LB639 this year, I wanted to introduce the legislation this session to begin the conversation. In the near term, we will need to join with our colleagues to develop strategies to address this critical unmet work force need. Work force and talent development is quickly becoming an arms race that Nebraska can't afford to lose. States to get work force and talent development right will outpace Nebraska in terms of growth, creation of good paying jobs, and economic prosperity. I also have an

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

amendment for your consideration, AM152. Under the language in LB639, institutional funds are required to be matched with state funds appropriated under this bill. Section 11 on page 3 of this bill as defined, "institutional funds mean funds belonging to the eligible postsecondary educational institution that were generated through private donations." The proposed amendment would strike the language "generated through private donations" and replace the word "not derived from taxation." This change clarifies the definition of institutional funds to better facilitate a public private partnership which every \$3 invested by the state of Nebraska is matched by \$7 from eligible postsecondary educational institutions and private supporters. In order to receive the funding under H3 Careers Scholarship Act, our higher education partners will need to make scholarship investments through sep-- through self-generated funds, tuition remissions, and raise private support-- in raising private support. At full implementation, the H3 Careers Scholarship Act is an aggressive push to encourage investments in key work force areas for Nebraska. As such, we want to ensure our higher education partners have flexibility as they work to meet the matching requirement. To close, I'd just like to say that any further consideration of LB639 would be welcome addition to this discussion around filling H3 jobs in Nebraska and how the state can support that mission. Thank you, and I welcome any questions.

GROENE: Any questions? Senator Brewer.

BREWER: Thank you, Mr. Chairman. You've got one of these unique ones that had a smiley face and then a flat line. Let me explain that to you. Smiley face is a great idea. The only thing I'm worried about is the Speaker is giving us a warning order on the fiscal note situation and we have a Chair of Appropriations which is pretty tight-fisted. Do you think that \$10 million is going to be a-- amount we'd overcome?

STINNER: It's a-- like I said this is a conversa-- actually the bill came from a lot of conversations I've had even before I got into the Legislature. How do we take our best and brightest, educate them, and then retain them here in this state. And that's a little bit about this. The other thing is, is with the match. I'm asking private business to contribute as well. So if you have this work force need, you've got to help out. University, you've got to help out. And after we attract those dollars, then the state may-- will, will match it with that 30 percent match or third match. So this is a conversation as we look at the Nebraska Advantage Act, as we look at putting

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

incentive programs together, as we look at what our needs are whether they'd be Blueprint Nebraska or some other place. SRI study actually talks a little bit about this. This is, this is the big discussion and it's big dollars and I get it. And it's probably appropriate that it is me that's here, because I know how hard it is to come up with appropriations dollars.

BREWER: Yes, you do. [LAUGHTER] Thank you.

GROENE: Senator Walz.

WALZ: Thank you, Senator Stinner for coming today. Thank you for introducing this. I may have missed it, but did you give examples of H3 careers?

STINNER: OK-- actually, probably the people behind me, but they're engineers, they're accountants, they're architects. Those high paying jobs and there's also skilled computer jobs. I think there was a study out or a, a, an article that says, hey, we got more computer jobs open in, in Omaha than we can fulfill a, a-- if we took all of our graduates to the computer side of things. So that's gonna have to be defined what an H3 is. It's generally the higher paying jobs, takes a four-year degree, sometimes just a two-year degree. But, that's where we're going to task the Labor Department to do that as well.

WALZ: Would it include teachers?

STINNER: I would, I would suggest yes it should include teachers because that's-- we got to replace those yet.

GROENE: Any other questions? I'm sure I have one. This is, this is just very broad and wide open.

STINNER: Intention-- intent-- intentionally, yes.

GROENE: I mean there's no income, which I wish somebody would look at the lower-middle class that ends up in my community college because they're not poor enough to get that and are not wealthy enough to go their own way so they end up in my community college, but that's fine. But a, but it's every student.

STINNER: Every student-- for an example, if you-- and here's the way I really kind of wanted to look at it, you know, those kids that are 27 and higher in their ACTs that are really smart regardless if their poor, or whatever, and they want to go into these types of things,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

they should get, they should get a full-ride. That's what this is all about.

GROENE: They already are-- well, a few with Regents.

STINNER: Well, Regents only pays for tuition. It doesn't pay for room and board. It doesn't pay for books. So there's a lot of gaps in that. So-- but it is broad. I agree with you.

GROENE: I've always thought, I've always thought it'd be better to do a loan fund, state create a loan fund, no interest loan fund. You've got your lifetime to pay it back. The good ones will pay it back. The deadbeats will take it out of, out of their estate.

STINNER: Actually you and I know about the RHOP program, and it wouldn't be bad to adapt some of the better parts of that.

GROENE: You'd have some rotating funds that way, but no interest would go a long ways. Anyway, can get more bang for your buck, too. Thank you. Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Isn't one of the goals of this, this legislation, sir, to try and keep kids who get a 29 or 30 on their ACT in Nebraska because there aren't many schools out there that would give them a full-ride scholarship, outside of Nebraska--

STINNER: There are--

LINEHAN: -- not just tuition, but--

STINNER: We are gonna, we are gonna compete-- and you-- I think you'll hear the testimony behind me who we are competing against, what states that, that our kids that, that pull those types of ACTs. They are offered full-rides in many places and we don't have that. We got the Regents Scholarship, I, I'll grant you that, but that's just tuition. So this is, this is a bigger broader plan. Certainly, one that can be redefined and refined as we go.

LINEHAN: And isn't one of the problems, too, if we lose those kids, they go to coll-- or students, they go to college at Stanford or Yale or Northwestern, chances of getting them back to Nebraska are reduced?

STINNER: They are reduced, yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

LINEHAN: OK, thank you.

GROENE: Any other questions, Senators? Thank you, John.

STINNER: Thank you.

GROENE: Proponents?

HANK BOUNDS: Good afternoon, Chairman Groene, members of the committee. I'm Hank Bounds, H-a-n-k B-o-u-n-d-s and I'm president of the University of Nebraska. Thank you for this opportunity to be with you today and to encourage your, your support for LB639. I'd like to thank Senator Stinner for his opening comments and for introducing this bill along with Senator Linehan. Both these Senators have shown great vision and leadership in bringing forward a proposal that addresses what is, in my view, one of the most critical challenges facing the state of Nebraska, and that is the work force crisis that is growing more urgent every day. I'd like to share a story with you. It takes place in Senator Stinner's backyard. As I know all of you do, I spend a great deal of time traveling the state talking with Nebraskans about their concerns and what they need from their University. Recently, I was in Scottsbluff. I met with the hospital administrator who was very frank about the work force shortage he's dealing with, with his hospital system. He told me, quote, Hank, if you could give me 50 more nurses today I would hire all of them today. That's not a, not an isolated anecdote, and it ought to tell us something about where we're coming up short as a state in producing the work force that our health care leaders, farmers and ranchers and business owners need in order to grow and be successful for the future. We know from Nebraska laborer-- labor data that we will have 1,500 job openings for registered nurses in the decade ahead. We know the needs are especially acute in rural communities. The Board of Regents just heard a presentation from our medical dean, who told us that 13 of Nebraska's 93 counties do not have a primary care physician. We have hundreds more openings for engineers, for computer programmers, for software developers, and for accountants, etcetera. The fact is that in every community I visit, whether it's Scottsbluff, Omaha, or Mr. Chairman, North Platte, Nebraskans tell me the same thing. Hank, our number one need is work force, our number two need is work force, and by the way if you're not listening, our number three need is work force. At our current rate, Nebraska is not producing enough graduates to fill the high-skill, high-demand, high-wage jobs that are needed to grow our economy. We are losing too many talented students who will fill those jobs, and we're not bringing enough

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

talent to make up for the brain drain. I would suggest to you that, as a state, we need to take a quick and meaningful-- we need take quick and meaningful action to help solve this crisis. Every day that we don't, we lose more opportunities to create the kind of prosperity that I know we all want for our children and our gran-- and our children's children. That's why I'm so supportive of the forward thinking legislation that Senator Sinner-- Senator Stinner and Linehan have brought to you. And I think it speaks volumes that a number of colleagues from higher education, K-12, and the business community are sitting behind me ready to add their support as well. Across sectors we recognize the urgency of the work force crisis, and we recognize that we have opportunities to join together on solution. The pro-- this proposal is one, the Governor's Nebraska Talent Scholarship is another, and I was pleased to join him for the announcement of that program. Candidly, we have some catching up to do when it comes to financial aid. Nebraska is them-- is, is in the bottom ten in the nation in state support grant aid. Meanwhile on a per student basis, the University of Nebraska is number one in tuition remissions. You heard-- you spoke earlier today of Regents Scholarships, Regents Scholarship is foregoing tuition for high-performing students. What it's not, is revenue coming in to the University. I've been asked why we don't simply give out more Regent Scholarships to attract more high-performing students to the University. The answer is we don't have more dollars to remit. The bottom line is that a significant state investment in financial aid would put us in a more competitive position to recruit and retain Nebraska's best and brightest young people. Thank you for your time. I would be happy to answer your questions.

GROENE: Senator Brewer.

BREWER: Thank you, Mr. Chairman. Hello, President, how are you?

HANK BOUNDS: Great. How are you, Senator Brewer?

BREWER: Good. I think when people do good things they need recognized for it. Your efforts to try and help us in rural areas, I think is very commendable. I've seen what you've done with your telehealth programs who we brought out into western Nebraska. I've seen them. UNMC is doing an amazing job. And what you have done to help with the Makerspace in, in Whiteclay, I, I can't tell you what a difference it has made in the community and I firsthand seen what you've done at UNO with your veterans' programs there. So to, to see your support on this and try and figure out how to get-- if we can't get the doctors and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

nurses out there, the ability of the doctors and nurses in Omaha to be able to communicate and help fix those problems which, you know, we've even expanded now to being able to do some of the mental health through telemedicine, I think is, is the way of the future to help the areas that we may not be able to get doctors and nurses to. So for that, thank you and appreciate what you're doing.

HANK BOUNDS: Thank you very much, Senator.

GROENE: Thank you, sir. I got lots of questions, but first comment again, there's 13 counties in western-- in Nebraska that has less than a 1,000 people in them.

HANK BOUNDS: I understand.

GROENE: So you're not going to get a doctor to set up practice there. We travel-- we have regional and we can make it to North Platte or and-- but we need doctors to fill those positions. But you're looking for new students into the system, right? That aren't attending college now that live in Nebraska?

HANK BOUNDS: That's correct.

GROENE: Because we already-- you have a-- and I'm not criticizing the University, but your graduation rate is what 30-40 percent the first year, four years 40-50 to 60. We have a large number of people who aren't qualified to go to the universities and do not finish. That's not a brain drain. They just can't handle the workload or they decide they don't want a degree. Paying their tuition is, is-- will that make a difference?

HANK BOUNDS: So I, I think I would disagree with you on graduation rates. I'd be happy to provide information to you. The issue that we face, Senator Groene, is that when, when you look at the highest performing students, 30 and-- 30 ACT and above, those students have about a 20-25 percent higher graduation rate than those under 30. When you look at graduation rates in Nebraska at all of our campuses, and then you compare us to similar institutions with students from similar backgrounds, our graduation rates are either at or above our peers. But the, the issue is that we just aren't competitive as a state when it comes to financial aid. The amount of money that is being provided in other places is so much more significant than we're able to provide. And so for us, you, you-- a couple of you've mentioned Regents Scholarships, there is really no such thing as a Regent

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

Scholarship, a scholarship implies that there is money coming from someone to pay for your tuition. It is really a Regents remission. So if we said, Senator Groene made a 31 on the ACT, we'd like to give you a Regents Scholarship. That just means that we aren't charging you for tuition, and so we're the number one University in the country on a per student basis in terms of remitting financial, you know, remitting dollars for students. So what my, my concern is, how do we keep all-- and we, and we only keep about 50 percent of the students that make a 30 or above in the state of Nebraska.

GROENE: But, you're also one of the lowest tuition in the big-- in the whole area.

HANK BOUNDS: That's correct.

GROENE: And, and that's because of financial support of the taxpayers in Nebraska. That alone should be an incentive that more kids-- that's, that's why we do it. We keep tuition low by, by appropriations. And a-- so that we do get-- but that's, that's for everybody, that's for every student that we keep that tuition low. Is that not true?

HANK BOUNDS: So, so we do keep tuition low. But with all due respect, I, I disagree with your position on it. We are very fortunate to get a strong appropriation for FTE. No question about it. But all the comparisons that are made never include the dollars that we don't get for financial aid that other places receive and all the dollars that we don't receive for facilities. So for example, we're often compared to Iowa. Iowa gets a little more in appropriations per FTE, but they also get \$90 million for facilities. And so when you add all of those pieces together and consider the fact that we are remitting so much, our, our ability to compete for the high-end students just-- we, we just don't have that ability.

GROENE: Because of scholarship money?

HANK BOUNDS: That's corr-- yes, sir.

GROENE: You were, you were in here when I talked about nurses--

HANK BOUNDS: Yes, sir.

GROENE: -- nursing and a bottleneck. Are there careers at the University in Nebraska where you turn applicants away because you can only handle so many, because you can't-- you don't have the clinical--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

the right term we were looking for earlier-- clinical hours or clinical rotations that hospitals are willing to take?

HANK BOUNDS: We, we, we actually aren't experiencing that. We, we don't have capacity issues. We have vacancies out in western Nebraska and Scottsbluff in our nursing.

GROENE: You do?

HANK BOUNDS: We do. Yes, sir. We would like to open a--

GROENE: You work with Norfolk too, don't you?

HANK BOUNDS: Yes, sir. We, we would like to be able to have a, have a training facility in North Platte, and we're actually working on that. But, but as you know all nursing colleges lose money, and lose a lot of money when you-- and the reason is because there, there are accreditation standards, as you know, that require you to use doctoral-level nurses. Doctoral-level nurses in the private sector make a lot of money. So in order to, to have-- bring faculty in, you have to pay them a competitive wage. And then, you know, if, if I am in intensive care or a loved one, I want to make certain that the nurses were trained in a small setting, accreditation standards require that, and then the laboratories that they were trained in. So, so they're expensive to stand up, they're expensive to run. Tuition doesn't nearly cover the cost. We need to be doing in North Platte. We have ongoing conversations with the hospital there and I'm, I'm hopeful that we will be able to stand one up--

GROENE: But I am told by--

HANK BOUNDS: -- we, we don't have a capacity issue. From a--

GROENE: Well, that's why we don't have enough clinical hours for the nurses so that we have to limit how many are in each class because they have to [INAUDIBLE]--

HANK BOUNDS: Well, we limit it because of our cost. We, we feel like we could offer more. We actually are running into more issues-- I need to touch base with Chancellor Gold and I'll get back to you on the exact-- on the specifics. But I do-- don't think it's a capacity issue right now in western Nebraska.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: So on your engineering college or you're a-- you're not limited by-- because of space, you're limited by quali-- qualified applicants?

HANK BOUNDS: We are limited by-- in engi-- engineering is another situation. We, we desperately need to grow engineering in this state prop-- for a couple of reasons-- for several reasons actually. One, we have some-- in some major engineering companies in the state of Nebraska and they hire an awful lot of our graduates. Two, the research that happens there spins out new jobs, new companies, it brings in other businesses. Companies move to-- move to places where there's a strong engineering college because of the [INAUDIBLE] -- the academic prowess that they bring to help them solve problems. So our facilities are not competitive. One of the reasons it's not competitive, is because we, you know, we don't, we don't have the ability to bring in GO bonds like many other states. And so our facilities are significantly behind. My son is a senior and he's considering becoming an engineer and we've toured universities around the country and we are so far behind from a facility standpoint. We're working hard now to raise the money to build facilities and so from an engineering perspective we, we do have space constraints. It's not, it's not that we don't have enough space it's that we have 1960's space. So for example, we can't do some of the research because the floors aren't stable enough to do vibration controlled research. And so there, there are lots of moving pieces around engineering.

GROENE: But the raw material of the 30, 31, 32 SATs, [SIC] you don't have it. Those kids are going to MIT [INAUDIBLE] engineering programs?

HANK BOUNDS: They are going other-- they, they, they are going other places-- and just to be, just to be completely transparent, there are a number of students that are making other choices for reasons. My dad went to "X" University and so I'm going to follow in his footsteps. Surely that happens, there are students that have always wanted to go to one place or the other. But, I absolutely know that there are students making choices with their wallets.

GROENE: Scholarship money.

HANK BOUNDS: Yes, sir.

GROENE: Thank you,--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

HANK BOUNDS: Yes, sir.

GROENE: -- sir, you've been very helpful with your answers. Any other questions? Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Thank you, President Bounds. Do you have any-- just a rough estimate of how many students that graduate each year in Nebraska get above 28, 29, 30?

HANK BOUNDS: I have that in front of me. Just let me find it.

LINEHAN: That's OK. Or you can just provide it later.

HANK BOUNDS: I will get it out. I absolutely have, have two pieces of information. Number one, how many students make above a 30? And how many of those choose--

LINEHAN: Right.

HANK BOUNDS: to stay in state?

LINEHAN: Right.

HANK BOUNDS: And I'll, I'll be happy to give that to you.

LINEHAN: OK, perfect. Thank you.

GROENE: I've got one more question. Oh, Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. President Bounds, great to see you and thank you for your presentation today. I want to echo what you have touched on. From a high school principal's position in the metro area and having 15 years in that particular position, I saw many of those SAT students-- ACT students come to us and work through their challenges of trying to, to go to different places and time and time again, I heard the same story that you have shared with us today that there wasn't enough given at UNL. I was, I was bid out by someone else at another university and I'm going to go there now because it's going to cost me less. That is exactly the issue that we're dealing with. My concern with that from this committee and from other committees that some of us have been on we, we have had about six, seven, or eight, or eight different bills concerning the military and assisting our students to stay in state, ROTC programs and all the rest that we do. And I back those as well as I back this bill. I have no problem with those. I think it's extremely important that we do all we can do to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

get the very best students into those positions for military careers or whatever else they would want to do in the future as well as keeping those which we had many of in the Millard District, 30s and above staying in our state, staying in our universities, getting an excellent education, and contributing to our, to our communities, and to our state. So I, I echo that with you. I wanted to back that with you. I was very frustrated many years because we just didn't get the, the OK's from Lincoln that we have the money for you. And we lost those kids. They went somewhere else. Thank you.

GROENE: Sir.

HANK BOUNDS: Yes, sir.

GROENE: You know, I keep reading the U.S. News and World Report, our ranking, 129th and 140th. And I don't know how they rate, it just-- it's out there all the time. Is that because we accept too many individuals that really don't belong in a college and you're trying to get them a degree or is it because we don't get the high-end student or is it because of our instructional-- our professors? Why, why would you say we rate so low?

HANK BOUNDS: So, so I'm not familiar with the rating system that you're talking about--

GROENE: U.S.--

HANK BOUNDS: I'm not familiar with it. I mean the criteria that they use. Look I'll, I'll be candid, when we get a good rating we--

GROENE: Advertise it.

HANK BOUNDS: -- applaud it. And when we don't, we don't like it, we don't like the methodology. I, I don't know what the methods are. But let me speak directly to graduation rates, I suspect that you and I grew up much the same way. I didn't have anybody helping me to go to college. I paid for every penny of it. Senator Brewer knows that I served in the army and if it wouldn't have been for the GI Bill and lots of friends who let me sleep on couches and other places, I couldn't have done it. And, and so I, I think we have to recognize that there are lots of those kids because-- that-- so when you look at our student body, if you look at six-year, seven-year, and eight-year going rates-- so our four-year graduation rates may not be the same as they are at some other place. But if you look at 33-36 ACT, and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

compare it to anywhere else, we are right on par with them. If you look at 31, or 30-32 you break out the segment. We are competitive with any stu-- any place with those same measures. The problem is, is we, we, you know, where does the, where does the volume, where do the volume of your kids come from? I don't think that we accept students that aren't ready. We don't do remedial courses, but we have a lot of students that go to school for a semester and then they work for a semester and then they go to school for a semester and then they work for a semester. And you know if it takes you seven years to get a lifetime-- make that lifetime investment, we should applaud that. You won't find that in the U.S. News and World Report stat, but I think it's pretty special that our going rates and our long-term completion rates are as good as anywhere.

GROENE: That rating was not on, on complete graduation rates, it was on quality of the degree that you get from the University of Nebraska. I'm not going to agree with them. I got one from the University of Nebraska. I hope it's better than 129th. But anyway, a, a, no, that was my point and you understand also when we look at this we're, we're a state at 1.9 million people, we can't compete with Michigan and Michigan State, what they do with it-- with the tax base they have. And, quite frankly, in my area I want blue-collar workers. That's what we're short of big time. We need community college graduates. So it's not just brain drain [INAUDIBLE]--

HANK BOUNDS: I completely agree with you. A, a strong economy has to focus not only H3 jobs but on the other 100,000 openings that are-- I mean that-- in order to, in order to strengthen our economy we have to focus, focus on all sectors. My, my point in bri-- in supporting this and having so many conversations with Chairman Stinner is that we aren't doing anything to focus on it and, and our, our competition is absolutely beating us. And I, I think Nebraska's sons and daughters deserve opportun-- that, that perform well deserve opportunities to stay here and I want them to stay here. If they leave, the chances of them come-- coming back are diminished and I think you'll hear from some of the business leaders following me that we have-- that we, we are exporting high paying jobs because of an inability to hire talent and completely recognize, Senator Groene, that we are dealing with fiscal stress and recognize that this probably isn't going to happen, but these are the kind of conversations that we all should be having.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: [INAUDIBLE] Can I say one point [INAUDIBLE] when you're probably talking about 600,000-800,000 taxpayers footing the bill, so it gets a little tight. Thank you, sir.

WALZ: I just have a quick question.

GROENE: Oh, Senator Walz, sorry.

WALZ: Sorry, sorry. Thank you, I'm sorry.

HANK BOUNDS: Yes, ma'am.

WALZ: I just had a quick question. The competition, are they providing programs similar to this then?

HANK BOUNDS: Absolutely.

WALZ: OK.

HANK BOUNDS: And more. So, so let me just give you an-- of a place that I know well--

WALZ: Thank you.

HANK BOUNDS: Let's, let's assume that I lived in Texas and I had three children and I made \$85,000 a year. And I had a daughter that made a 34 on the ACT. And my daughter was choosing between the University of Mississippi and the University of Nebraska. The first offer from the University of Nebraska would be a Regents Scholarship, which would be about \$42,000. The offer from the University of Mississippi or Mississippi State would be \$110,000. Where does, where does my child go to school?

GROENE: Depends on what the tuition is also.

HANK BOUNDS: Tuition is within a few hundred dollars. Not much difference.

GROENE: Where does Mississippi get the money?

HANK BOUNDS: They appropriate \$38 million for financial aid. That's what they appropriated this past year.

WALZ: OK, that's what I wanted.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: One more question and I'll leave you alone.

HANK BOUNDS: Yes, sir.

GROENE: What about the private sector-- the foundation-- you have a huge foundation, billions of dollars in it. Can you direct them to focus more of their purpose on, on individuals creating scholarship, private scholarships?

HANK BOUNDS: We, we had a-- we launched, launched a campaign when I arrived called, "Our Students, Our Future." We direct a significant amount of our fund-raising resources toward raising money. As, as you know most people direct how they want their money spent, but we spin out about \$25 million in private philanthropy every year out of the foundation. And then that-- the--

GROENE: For scholarships?

HANK BOUNDS: For scholarships. And then we do about \$30-\$35 million a year in remissions.

GROENE: Just seems like everybody gives money, they want a-- their name on a building or they want a chair named after them. Maybe we can convince them of something else.

HANK BOUNDS: Well, we're, we're working hard to do that, Senator.

GROENE: Thank you.

HANK BOUNDS: Thank you for the opportunity.

GROENE: Thank you for coming to this lowly body. [LAUGHTER]

JAMES BLACKLEDGE: Good afternoon, Chairman Groene and members of the Education Committee. My name is James Blackledge, it's J-a-m-e-s B-l-a-c-k-l-e-d-g-e, and I'm the chairman and chief executive officer of Mutual of Omaha Insurance Company. I'm also a member of the Omaha Chamber of-- the executive committee of the Omaha-- Greater Omaha Chamber of Commerce, and I'm offering my testimony today in support of LB639. If I could only offer one statement in support of LB639 as part of the effort to address the brain drain in Nebraska, it would be my belief and experience as a CEO that businesses will go where the talent is. The implications of our continuing to lose a significant number of our best and brightest to other states are profound, lasting, and perhaps irreversible. At Mutual of Omaha, over 20 percent

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

of our work force resides in our technology operation just headquartered in Omaha. It would not be inaccurate to think of our company as a software business that just happens to provide financial services. We have an aging work force with baby boomers who are nearing retirement who, who we will need to replace. Our demand for technology talent and that of other companies in our state cannot be met without strategic initiatives such as LB639 aimed at developing and retaining a talented work force in Nebraska. LB639 is a thoughtfully, targeted approach to increasing the supply of technology and other high-wage, high-demand jobs in Nebraska. I believe that growth-- the growth of good jobs is the single best proxy for the health and prosperity of the state. Without some modest level of growth, asset values, tax revenues, and our ability to provide essential services will suffer and will contribute to a downward spiral in our quality-of-life. As I alluded to in my earlier remarks, LB639 is a necessary part of the solution, but the committee should understand that it isn't sufficient. We would be well-served to study why our young talent leaves the state, what it takes to keep more of them and what we need to do to attract others back. In my opinion, we can't-- cannot and should not try to become just like other tech-talent hubs. Rather, we should play to our strengths and provide the higher quality-of-life that is often missing in other parts of the country. From my exposure to economic development, I have learned that all the net job growth in this country is attributable to startups. Specifically firms in their first year of existence. After that first year, established firms that are downsizing or going out of business more than offset the job growth associated with those that are expanding. Focusing on making Nebraska a place where startups are well-supported is another part of the talent retention and attraction puzzle. Our state university and college-- community college systems have demonstrated an ability to develop a highly qualified and talented work force. UNL's Raikes Program is an example of that excellence. That program graduates around 25 highly-qualified software developers each year. The students that are from Nebraska tend to stay in Nebraska. The students that are from other states tend to leave. We need to see more high-potential Nebraska residents admitted to our best programs and LB639 will help us do that. Those students who stay in Nebraska seem to prefer to work at some of our more successful startups. While I'd prefer they all come to work at Mutual of Omaha, having a robust, a robust tech-talent ecosystem where all-- where the work force sees a variety of opportunities for successful career paths will not only help drive economic and population growth in the state but it will improve the talent pool for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

all Nebraska companies. It would be difficult to overstate the importance of this moment in time to take decisive action to stem the brain drain we currently experience. Businesses like mine will be forced to look elsewhere for talent we need to succeed and the state's economic growth engine will run out of gas. Let me conclude my testimony by thanking each of you for your service and your thoughtful consideration of this bill and others that will help ensure the continued prosperity and quality-of-life that we enjoy in this great state. Your leadership is very much appreciated. Thank you.

GROENE: Are there any questions? Thank you, sir.

JAMES BLACKLEDGE: Thank you.

GROENE: Go ahead, when you come, that green light's on you start.

MIKE DUNLAP: All right. Good afternoon, Chairman Groene and Education Committee members. My name is Mike Dunlap, M-i-k-e D-u-n-l-a-p, co-founder and executive chairman of Nelnet and I offer my testimony in support of LB639. I graduated from business school and law school at University Nebraska-Lincoln. Nelnet's a highly diversified servicing finance and technology company headquartered in Lincoln. The company helps students and families plan and pay for their education and makes administration processes for schools more efficient with student loan servicing, tuition payment processing, and school administration software. Through our subsidiary ALLO Communications, we offer fiber-optic services directly to homes and businesses for ultrafast Internet and superior telephone and television services. We also make investments in Nebraska-based startups and new ventures such as Huddle. Nelnet has more than 6,200 associates in over 20 offices across the country. Nelnet's our home and we have focused our growth here as much as possible. In 1999, we had 38 people in Nebraska. In 2009, we had less than 800 associates in the state. Currently we employ more than 3,300 Nebraskans and we have 250 open positions here. These are good jobs with good benefits and include everything from customer service positions to software engineers. In particular, we're looking to hire more IT experts. Nelnet currently employs more than 1,100 IT associates with many already, already located in Nebraska, Colorado, and Wisconsin. But unfortunately we've had trouble finding qualified candidates in Nebraska. We had to make a decision to hire some of our recently open positions in Madison, Wisconsin instead. We're a Nebraska-based company trying to create a great place to work and a great place to live. We want to grow as much as possible in Nebraska, but to do so we need more qualified local workers. I believe

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

this bill, if passed, would be an important step toward growing a stronger work force in Nebraska. I also support, support this bill for the same reason I founded Nelnet over two decades ago. I'm passionate about making education affordable and accessible for all students. The scholarships provided by this bill would open doors for hundreds of students to attend college which would, in turn, open doors for them to find much needed high-skill jobs like the ones at Nelnet. I believe that more students attending college from a wide-range of backgrounds is necessary for continued growth and innovation in Nebraska. To track and retain bright candidates for H3 jobs, we as business leaders and lawmakers need to provide them opportunities for growth right here in Nebraska. From my student loan world some high level numbers, there's about 20,000 graduates in Nebraska every year. And if you want to look at percentages, about 1,000 of those get a 30 or greater on the ACT, about 2,000 get a 28 or higher on the ACT, and about 3,000 get a 26 or higher on the ACT. That group from 26-30, 31, that's the group that this bill is really intended for to try to get them more scholarship money so they'll stay in the state of Nebraska. Right now we're losing over half those kids to other states.

GROENE: Thank you.

MIKE DUNLAP: Thank you.

GROENE: I have some questions. That's high school graduates, right?

MIKE DUNLAP: Yeah.

GROENE: And that's test scores, and you guys track--

MIKE DUNLAP: ACT test scores.

GROENE: --and you track that? Why in Nebraska-- what's your theory why we had the Cabela's and the Nelnets and the Gallups and the HDRs and the ALLOS and the Conagras and the PayPals in the past startups and we don't seem to-- what changed in Nebraska? We had a lot-- we used to have about 5 of the top 100-- what they call-- the Dow Jones Corporation started here. We lost Conagra, of course-- we lost a couple. What's changed?

MIKE DUNLAP: What's--

GROENE: There ain't enough farm boys to go out and start a business anymore?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

MIKE DUNLAP: I think there's still new businesses that are getting started, but I think we need to, we need to encourage more new businesses to start. A lot of those businesses over a long period of time-- I think we had fortune-- I think we had five Fortune 500 companies that were located in Omaha at one point in time. We were, we were located all over across the whole country. The work force here is one of the best in the country and it's why we-- if you look at our growth why we focused our growth here in Nebraska and we want to continue to focus our growth here.

GROENE: And you're a native Nebraskan who started a company in Nebraska. Is that true?

MIKE DUNLAP: Yeah.

GROENE: All right.

MIKE DUNLAP: Yeah, I grew up in Milford.

GROENE: Thank you. Farm boy?

MIKE DUNLAP: No, town kid.

GROENE: Close, [LAUGHTER] small town. Thank you. Senator Linehan.

LINEHAN: I just wanna-- I wrote your numbers down as you said them real quick. Thank you, Chairman Groene. Thank you, for being here. You said 1,000 over 30, 2,000 over 28, and 2,000 over 26. Is that--

MIKE DUNLAP: Three, three thou--

LINEHAN: -- 5,000 total? Or--

MIKE DUNLAP: -- three thou, no total, 3,000 over 26 total.

LINEHAN: OK, that makes more sense because [INAUDIBLE] -- that's-- OK. And we're losing half those kids?

MIKE DUNLAP: Yeah.

LINEHAN: Or they're at least going away to college? OK, thank you very much.

GROENE: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

MIKE DUNLAP: Those are estimates.

LINEHAN: Yeah. Well, that's helpful.

BRYAN SLONE: Good afternoon, Mr. Chairman, members of the committee. Thank you, for this opportunity. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. I am the president of the Nebraska Chamber of Commerce and Industry and the Chamber would like to be on record in support of LB639. I became president of the state Chamber of Commerce in April. So I've been at this all of six months, then private industry the rest of my life. The first six months on the job I, I spent most of that time traveling the state trying to make sure that I understood what, what were the real issues for the business community and, and the business climate in this state. And through those visits without question, the singular biggest issue and the singular biggest challenge for this state is a work force issue. And the work force issue is going to dictate not only the current year but the next decade and maybe in the next two or three decades. There are fewer students today in K-12 public education in this state than when I graduated in 1975. UNO estimates that, that the Nebraska work force hit its peak last year, will start declining this year and will not get back to its 2018 numbers until sometime 15 to 20 years from now. It's a function of demographics and, and unfortunately the people my age who are almost to that retirement level. The good news is we have lots of first and second graders. The bad news is they won't be here for a long time. And when you go across the country, this work force shortage is the issue in all 50 states. There are over a million job openings in this country right now which is creating-- you're going to see it over the next five years, a 50 state competition for work force. And there will be winners and losers in that competition and it will dictate a lot in terms of how successful those states are going forward and also in tough fiscal times whether the revenues for those states will be competitive in, in order to continue to fund the programs that those states want to fund. Again it's a combination of two things: one, it's a combination of the demographics that I've already mentioned, but it's also a, a function of the nature of jobs in this country are changing pretty dramatically. And that's across all industries, is all jobs are turning more into technology jobs and you will have members of the ag sector, like a former speaker today, who will say, I'm no longer in the ag business I'm in the technology business. He will have manufacturers who say, I'm no longer in the manufacturing business I'm in the technology business. It seems like every job now has a technology component to it. But goals of LB639 are

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

important in the sense that it is one key component to a statewide strategy of, of how we are going to address the work force challenge. Obviously we need to do some other things in some other areas, but one of the first places we need to start is taking a look at these brightest and best where we're losing over 50 percent of them every year coming out of K-12 after we've made an investment for a number of years a very substantial investment in their high school and education. We're losing over 50 percent of them. What this bill does is important, is it provides the ability for our colleges and universities to provide a competitive scholarship as already been discussed. One other thing it does, it is important that has not been discussed before, is it requires an internship. And part of not only educating but keeping these people in the state, we have found in the private sector is very much associated with, with getting students connected to businesses within the state while they are in school. Internships are now the most effective way of recruiting for all the businesses in our state. I ran an accounting firm for a number of years, 80 percent of our hires by the time I left came out of internship programs. So combining a competitive scholarship with an internship program is absolutely essential. And finally, in terms of the, the impact of this bill is that it allows the colleges and universities to expand beyond just tuition based scholarships as President Bounds said. That's absolutely critical as many, many schools that we compete with every day to retain our best and brightest, offer full-ride scholarships go well beyond tuition-based scholarships. Based on, on the nature of this bill and based on the nature of the challenge that we have, we as a chamber will be very supportive of, of anything we can do along the scholarship line, along the tenets of this bill to capture these high ACT scores and keep them in this state and keep them in our work force. These will be some of the key innovators and entrepreneurs of the next generation that will do just as the chair suggests, create those companies that create the jobs that are essential to, to our economic climate and, and where we actually go as a state. So with that I'd be happy to answer any questions.

GROENE: Could I ask you a rock and a hard place question?

BRYAN SLONE: Sure, absolutely.

GROENE: Are you willing to pay more corporate income taxes so we can fund this? [LAUGHTER]

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

BRYAN SLONE: Senator, you know that it had to be a great disappointment to me when I, as a tax person-- when I ran around the state and work force was the number one issue and, and not taxes. There are times where we're going to have to make some strategic investments if we're going to compete among the 50 states.

GROENE: Could--

BRYAN SLONE: And you normally don't see the chamber here suggesting we should spend more money, but this is probably one of those strategic investments.

GROENE: Could we include this in the new economic development package and cut some of the benefits and shift it to-- fill the jobs we already have instead of trying to create new ones?

BRYAN SLONE: I would say we, we need to start thinking about where we are going to make investments and rightsize and make strategic investments. So I think it's important when we talk about scholarships and brain drain that we're very strategic about how we go about that and we allocate the right a-- right amount of revenues within our fiscal constraints to make that happen. And when we talk about incentives, I think that's a separate discussion. But I think it's important that we put the right amount of effort strategically in the right amount of money at the right things that will attract the jobs. They're two pieces of the same pie. We need to attract both the work force and the jobs to be successful for the next 10 or 20 years.

GROENE: But right now we're behind in the jobs.

BRYAN SLONE: Right now we're behind--

GROENE: Not behind the jobs, the work force.

BRYAN SLONE: We're, we're behind in jobs and in the-- and, and for those of you know who-- where I grew up, we're also behind in, in attracting both work force and jobs.

GROENE: Thank you. Senator Pansing Brooks.

PANSING BROOKS: Thank you for coming, Mr. Slone. I-- and also I'm grateful to Senator Stinner for bringing this and also that a, Mr. Blackledge came and also Mr. Dunlap. I, I sometimes wake up in the middle of night worrying about what in the world are we going to do, how are we going to attract people to this state? We need more people.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

We need more influx of dollars to help us to thrive. So along these lines just since you've been going around working on all this, how do we keep up with the incentives that every other state is throwing out? I mean, you just said, every state has this issue. So what are we going to do? How can we as a state that's not that wealthy, doesn't have the population base, what are we going to do about that?

BRYAN SLONE: So in my business life, I always, I always preached to be a success in business, you had to do a lot of what you do good, and Don Clifton taught me that many, many years ago. I think the same is true for this state as, as we approach our economic challenges. We need to do a lot of what we do good to do good and so we should focus always on agriculture. We should always focus on manufacturing. We should always focus on construction engineering, banking and finance, engineering and construction, places that we do good and, and we should focus on the technology companies that go with that. What I like about this bill, is it provides the ability over time to shift the priorities as to where those, those high paying jobs are. One of the, one of the difficulties is when you lock something into a bill and you say, this is what it is today it may not be that five years from now because the economy is changing. So to answer your question directly, we have limited fiscal dollars that we can spend. We need to be strategic about it. And what I like about this is it's, it's targeting dollars at specific best and brightest kids who not only are best and brightest kids but are engaged in, in those careers that are most important from an economic standpoint.

PANSING BROOKS: And do you believe it's sufficient to keep people here and to attract them and to-- is this enough?

BRYAN SLONE: Oh, it's not even close to enough.

PANSING BROOKS: That's what I'm worried about.

BRYAN SLONE: I'd say we've got to keep about 10 or 15 balls in the air including marketing the quality-of-life we hear a bunch more, more effectively than we do.

PANSING BROOKS: I would agree with that. Thank you.

GROENE: Any other questions? Thank you, sir.

BRYAN SLONE: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: Any other proponents? Go ahead--

JIM SUTFIN: Start on the green--

GROENE: When the light turns green you're up.

JIM SUTFIN: Yep, sounds great. Good afternoon, Chairman Groene and members of the Education Committee. My name is Jim Sutfin, J-i-m S-u-t-f-i-n. I serve as superintendent of the Millard Public Schools, also sit as a member of the Omaha Chamber of Commerce Board and a member of the Blueprint Nebraska Educational Attainment Executive Board. I'm here to offer my testimony in support of LB639. Successful economic development in our state is dependent on retaining our best and brightest young people. As you've heard from other testimonies, we're consistently losing a large number of college graduates to other states. Anything that we can do to keep talent in the state is significant in growing our population and our work force. LB639 addresses this issue and it can be a valuable tool for economic growth. I appreciate that this bill is being aimed at high-skill, high-wage, and high-need areas. The data I will share today is specific to the Millard Public Schools, although I'll interlace some of the state data, but I believe it will be reflective as a state as a whole and at least warrants some additional investigation. The ACT, the American College Test, is a very common measure of admission into college, coupled with GPA, it is a major determining factor in merit-based scholarships. In 2018, we had 24,516 graduates in the state of Nebraska, 1,750-- 1,715 of them scored 30 or above on the ACT and oth-- and in other words it is 7 percent of the total population in the state. And that report-- that comes from the ACT report generated in 2018. When you look at ACT scores, I'm going to show you a couple of graphs, you can kind of see the bell curve on that page and you'll see that the majority of the kids hit right around 20. If you flip the page, another way to look at the same bell curve, is the 75th percentile, the 50th percentile, and the 25th percentile. What we're talking about today is right of the 75th percentile. So at the very bottom of page 2, if you score a 27 on the ACT, you're in the top 14 percent of the students in the country. So 27 and above puts you in the top 14 percent of the performers on the ACT in the United States. If you scored 30 and above you are in the top 6 percent of the students in the state of Nebraska. I want to go back to the Nebraska data: there was 1,715 students in the state of Nebraska that graduated in the year 2018 that scored 30 or above. I'm now going to flip to page 3, and I apologize for the charts and graphs, but I wanted you to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

see the data behind this. So what we did is we took our students from the last three years that scored 30 and above on the ACT. So 19.5 percent of our graduates attending college have earned 30 or above. That is 650 students who graduated from Millard in the last three years is the number we're talking about. The breakdown that you can see is UNK, UNO, and UNL, and I have summed it in the gray box where it says university total, the number of students that are attending those universities. So if you looked at the number-- the range of 30 when you see there is 163 on the second line, so in the last three years, 163 students from the Millard schools graduated with a score of 30; 101 of them attend the university system; 6 of them attend Metro Community College; 9 of them tend-- attend other Nebraska; 45 of them attend out-of-state. If you work your way across, let's see-- let's go, let's go to ACT of 32, the number that's been talked about frequently, 127 graduates, 77 in the university, 41 out-of-state. I took the graph and I-- or the chart and I reconfigured it using percentages so that you could see more easily the percentages. And if you read the bottom line you'll see the out-of-state totals below. We lose some of our most-talented students, not only to Ivy League schools, but also to schools in surrounding states. I'm on the next page: data of Millard graduates from 2015-16 through 2016-18-- excuse me, it should be 2017-18, with scores of 30 and higher; Iowa, 15 of our students are attending there; Missouri, 19; Kansas, 12; Minnesota, 9; South Dakota, 10. And when that adds up it's a fairly large percentage of students that are leaving us. Why are they lose-- leaving? While there are many reasons, academic aid is certainly at the top of the list. A student earning a 30 on their ACT will earn a \$1,000 scholarship to the University of Nebraska-Lincoln, even though they score in the top 6 percent of the country. And I know I've hit the red light--

GROENE: No, go ahead and finish--

JIM SUTFIN: Would it be okay if I finish? OK, thank you.

GROENE: --what you have to say. I like numbers.

JIM SUTFIN: Oh, OK. Students with scores of 32 or higher oftentimes earn full-rides, tuition, room and board versus only tuition in the state of Nebraska. You've heard it testified earlier today that enrollment in such programs such as the Peter Kiewit Institute or the Raikes Schools matter to our students, but only few are selected. I believe UNL has the data with respect to the number of in-state students who attend Raikes School and stay in the state in Nebraska

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

after graduation versus a number of out-of-state students who attend Raikes and then leave after completing their degree. I have specific examples of Millard students who scored 33 and above on their ACT and did not get into the Raikes School and chose to leave the state of Nebraska. We know that we're never going to retain every student. And for those students who leave our state for college, can we make sure we have a career opportunity waiting for them upon graduation. I believe that this is one of those times when we're talking about an investment. I encourage the state to make it-- taking that investment and put it in our students and our state's economy. This brain drain is real, LB639 helped address the issue. And I want to close with this, 36 percent of the Millard graduates are leaving the state of Nebraska on the last three years. Let's just say that instead of the number being 50 percent, it is 36 percent across the state. I think that's one of the things that, that warrants further investigation. I don't have the numbers but Dr. Bounds would and he said he was gonna send them to you. Let's just say for a minute that it is 36 percent. So last year at 1,715 graduates that scored 30 and above in the state of Nebraska. That would mean that 620 of those graduates of the top 6 percent in the country will leave our state to get their college degree. Multiply that by 4 years and we're at 2,500 students who are leaving the state of Nebraska to get their education elsewhere. And I think that that is something that we should have a discussion about. I appreciate the opportunity to be here today and to testify. I apologize for running over my time, but I appreciate you being willing to listen and I'll answer any questions. Thank you.

GROENE: Questions? I have a couple. Did you have one Senator Linehan?

LINEHAN: I did, but go ahead.

GROENE: Part of the problem also is, you want to be with-- to become the best, you want to play with four other players on the team that's as good as you. So when you pick a college and you've got a 36, you're not gonna go to a college with likelihood the people in your class have 30 and you're gonna want to go to a professor who also had a 36. Is that person teaching in Nebraska or is he at Sanford-- Stanford, or at the University of Chicago-- a Harvard. I mean, you know, I always get a kick out of talking about Harvard or Yale about the results. Well, nobody gets in the place unless they have a 27 or better. So the environment to really hone your skills is who you're surrounded by. So if you've got an [INAUDIBLE] those type of scores you're going to go

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

with a curious mind to where you're challenged. Is that not part of why--

JIM SUTFIN: I would, I, I would-- here would be my response to that, Dr. Bounds would have better data on that than I would about what the ACT scores are of professors. But that can give you three examples of where I think the University of Nebraska system is leading the country. One of them is UNMC. I think that the people that are at UNMC are rock stars. I think, Dr. Gold, and what he is doing serving as the chancellor at both UNMC and UNO is creating a vortex there that is going to be extremely positive. Number two, I would tell you that the kids that I have seen apply to the Raikes School that have got in as well as the students that have applied and not got in school.

GROENE: Which school?

JIM SUTFIN: The Raikes School here at the University of Nebraska-Lincoln which admits, I believe it is 40 students a year. These kids have some neural synapses that are going on that are just unbelievable. I mean they are just-- they're just amazing kids. And then I believe the Peter Kiewit Institute at the University of Nebraska of Omaha is another real blue chip program that we have and I don't--

GROENE: Isn't that why they created it, so they could create that environment--

JIM SUTFIN: Absolutely.

GROENE: --for those, those individuals?

JIM SUTFIN: Yep, and I would love to see, and I would love to see the University of Nebraska-Lincoln do the same thing with engineering.

GROENE: We had a young man at our church went there.

JIM SUTFIN: Um-hum.

GROENE: He's in Washington, D.C., now. He graduated from there but he took a corporate job.

JIM SUTFIN: Well, we need to recruit him back.

GROENE: But that's a, a-- I think a challenge we have, too.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

JIM SUTFIN: Yep, agreed.

GROENE: Thank you.

JIM SUTFIN: Yep.

GROENE: Any other questions? Senator Linehan.

LINEHAN: Thank you, Chairman Groene. Thank you, Dr. Sutfin for being here. On, on your chart here--

JIM SUTFIN: Yes, ma'am.

LINEHAN: -- on page, is it page 2, the one-- is this four years of kid-- students or year five years?

JIM SUTFIN: This is three years.

LINEHAN: Three years, OK, I'm sorry. So these are three years?

JIM SUTFIN: Yep. So about 14 percent of the graduates from Millard earn a 30 or above each year.

LINEHAN: OK, thank you very much. Appreciate it.

JIM SUTFIN: Yep.

GROENE: Any other questions? Thank you, sir.

JIM SUTFIN: Thank you.

GROENE: Good information. Any other proponents?

GROENE: Go ahead when the light turns green.

BRUCE BOHRER: Good afternoon, Chairman Groene and members of the Education Committee. My name is Bruce Boyer. For the record, spelled B-r-u-c-e B-o-h-r-e-r. I'm the registered lobbyist for the Lincoln Chamber of Commerce and I'm here in support of LB639, the H3 Careers Scholarship Act. The Lincoln Chamber of Commerce is actively involved in economic development efforts, both expansion/retention projects and attraction projects as well. And because of this experience, the Lincoln Chamber fully recognizes the importance of the talent pipeline strategy embodied within the H3 Careers Scholarship Act. As you've already heard from the excellent testimony from Senator Stinner and prior test-- testifiers, we are faced with a critical unmet need in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

our state related to the talent pipeline for H3 occupations. We have a strong and growing tech sector in Lincoln that is always searching for computing talent, you've heard about that earlier as well. We know we are not alone in this, code.org estimates that currently there are 500,000 open computing jobs across the country and that number is growing at twice the rate for all other jobs. Nebraska has an estimated 2,000 plus open, open computing jobs which equates to a very substantial income for this state, if we can fill those jobs. Additionally the federal labor-- Bureau of Labor Statistics estimates 31.4 percent growth in Nebraska, an additional 500 plus openings per year. Other areas as those mentioned earlier by Senator Stinner in his opening statement: accounting, finance, health care; I would add engineers as well are in high demand as well. And I just received a note this morning that the Department of Labor projects that southeast Nebraska's manufactures are projected to add more than 800 new positions by 2026. We all know what's special about the good life, right? This is why we especially like the requirement under this bill to have scholarship recipients complete an internship with a Nebraska business prior to graduation. The Lincoln Chambers Economic Development Arm, the Lincoln Partnership for Economic Development actually developed an internship support program called MyTern, that's tern with T-e-r-n. See a little play on words. And our MyTern program provides a community immersion experience for Lincoln interns. We believe if you get people involved in the community, they're more rooted and more likely to stick around. We appreciate Senator Stinner bringing this legislation to begin this important conversation about a critical unmet need in our state. We, we realize the financial commitment to this cause must be tempered by our current fiscal situation. With that, I would conclude my remarks and let-- unless there are any questions I could answer, I'd be happy to.

GROENE: Any questions? Senator Linehan.

LINEHAN: Thank you, Chairman Groene. This really isn't for you, I just want to say it so then maybe somebody can get it to the committee. I'd be interested in knowing what the qualifications are for Regents Scholarships now. So-- just-- if we're looking at this and we are-- what, what-- is it a ACT score or GPA or somebody can probably give that to me. But, I just-- I want to get that on record. Thank you.

BRUCE BOHRER: Um-hum.

GROENE: Seeing-- Senator Pansing Brooks.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

PANSING BROOKS: Well, I think along those lines it'd be nice to know how many are generally distributed each year of the Regents Scholarships. Thank you.

BRUCE BOHRER: Thank you.

GROENE: Excuse me.

BRUCE BOHRER: Yes.

GROENE: I think today's paper said you dropped from 4th to 12th, Lincoln did, in IT friendly or a, a tech-savvy community with industry. Why do you think we're 12th-- Lincoln is 12th? Just because happenstance we hit a couple a-- what's the one company that supports statistical company Huddy [PHONETIC] or whatever? Did you see the stor-- the story today?

BRUCE BOHRER: Hudl--

GROENE: Hudl, yeah.

BRUCE BOHRER: -- is what you're thinking of? I really wouldn't know. I didn't see the parameters for the study how they did the comparison a lot of times it just makes a difference on what kind of factors they look at.

GROENE: All right.

BRUCE BOHRER: I certainly think we have a very strong tech sector and it's growing and they need more H3 workers.

GROENE: Thank you.

BRUCE BOHRER: Yeah, you're welcome.

GROENE: Are there any other proponents? Opponents? Neutral? Find my numbers. That's why I don't like all these handouts because I lose what I really need. LB639 proponents, we got a letter from Dr. Michael Chipps, Northeast Community College; and Colby Coash, Associate Executive Director of Nebraska Association of School Boards; and opponents, none; neutral, none. Senator Stinner, would you like to close?

STINNER: No, I think it's a little late so I'll waive.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Education Committee February 5, 2019

GROENE: I like waving at you, too. [LAUGHTER] That closes the hearings today in the Education Committee.