

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

Appropriations Committee
November 04, 2015

[LR200]

The Committee on Appropriations met at 1:00 p.m. on Wednesday, November 4, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR200. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Tanya Cook; Ken Haar; Bill Kintner; John Kuehn; John Stinner; and Dan Watermeier. Senators absent: Kate Bolz.

SENATOR MELLO: Good afternoon and welcome to today's interim study hearing. Good afternoon. Good afternoon and welcome to today's interim study hearing on LR200, an interim study put forward by the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District and serve as Chair of the Appropriations Committee. I'd like to start off today by having members do self-introductions, starting first with Senator Kintner.

SENATOR KINTNER: Hi, I'm Bill Kintner from Legislative District 2.

SENATOR COOK: I'm Senator Tanya Cook from District 13.

SENATOR KUEHN: John Kuehn, District 38.

SENATOR HILKEMANN: I'm Robert Hilkemann, District 4.

SENATOR STINNER: John Stinner, District 48.

SENATOR HAAR: Ken Haar, District 21.

SENATOR WATERMEIER: Dan Watermeier, District 1.

SENATOR MELLO: Assisting the committee today is Laurie Vollertsen, our committee clerk; as well as our fiscal analyst of the day, Kathy Tenopir. At the back of the room you will find some yellow testifier sheets. If you're planning on testifying today, please fill out one of the sheets and

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

Appropriations Committee
November 04, 2015

hand it to the clerk when you come up. It helps us keep an accurate record of today's public hearing. We will first begin today with organized testimony from, first, Senator Williams, then the university, followed by anyone else in the public who wishes to speak. We ask that you begin your testimony by giving us your first and last name and spelling them for the public record. If you have any handouts, please bring up at least 11 copies and give them to the page. If you do not have enough copies, the page will help make more for you. As a general matter of committee policy, I like to remind senators that the use of cell phones and other electronic devices is not allowed during public hearings. At this time, I'd ask all of us, including senators and others in the audience today, to please look at your cell phone and make sure that it is on the silent or the vibrate mode. With that, we will start with LR200 and I will come out there first, Senator Williams, and then come back up here. [LR200]

SENATOR MELLO: Good afternoon, Vice Chairman Hilkemann, members of the Appropriations Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. LR200 was introduced on behalf of our committee earlier this legislative session. The primary purpose of LR200 is to conduct a historical review of the University of Nebraska-Lincoln's Innovation Campus, as well as identifying opportunities and challenges for that initiative to move forward. Invited testifiers from the university, along with Senator Williams, will be speaking to the committee about the philosophy and purpose behind Innovation Campus, as well as provide information about the state's financial involvement with the project. The committee has met with the University of Nebraska earlier this fall to seek out preliminary questions and information. Today is a follow-up hearing for the public and to the university to present their information and allow any members of the Legislature and/or the public to provide testimony. With that, I'd be happy to answer any questions you may have. Good afternoon, Senator Williams. [LR200]

SENATOR WILLIAMS: Thank you, Chairman Mello and members of the Appropriations Committee. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, and I represent the 36th Legislative District. And I was the senator that brought before you LB560 that was presented last session to ask the Appropriations Committee to allocate additional funds to Innovation Campus, and today I'm here to testify concerning LR200. But first of all, I would like to thank each one of you for your commitment to understanding Innovation Campus, what it means to our state long

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

Appropriations Committee
November 04, 2015

term, what it means to our university, and being involved with that process. And I think everyone here...and I was pleased to hear, Senator Cook, that you had the opportunity to just be out there today and take the tour. So thank you for that commitment. We've been on an interesting journey over this past six months with Innovation Campus and much of what we have tried to do is educate the Legislature on what's happened. And many of us will remember that this project was borne out of the relocation of the State Fair to Grand Island. LB1116 was passed in 2008 that began the process, but it was not until January of 2010 that the university actually acquired possession of State Fair Park and began the demolition of some of the older facilities located there. In 2011, just four short years ago, at the request of then-Governor Dave Heineman, this Legislature appropriated \$25 million to assist in the construction of NIC. This investment was critical in helping NIC develop faster than anyone had previously predicted. This acceleration was also due to learning from the successes and, yes, failures of other research campuses. This investment allowed NIC to have available space to provide locations for private companies and at the same time have a strong university presence to provide confidence to the marketplace. To date, and this is what you've seen, NIC has a total of 372,000 square feet of built-out space, which includes Innovation Commons, the Food Innovation Center, and the Greenhouse Innovation Center. In fact, somewhere approximately 80 percent of this built-out space is currently leased. With the exception of the NIC Conference Center, all of these buildings are privately owned and operated. The buildings are currently owned by Tetrad and we are very excited to announce that Tetrad has recently agreed to build an additional 80,000 square-foot facility, and that's part of what you saw a couple of weeks ago on your tour of Innovation Campus. When finally built out, NIC will include over 2 million square feet of space and house over 5,000 employees. And I just want to say, wow, what an incredible achievement for our university and for our state. And over these few short years that Innovation Campus has been in business, we've created many partnerships with private enterprise: Tetrad, of course; CCS Presentation Systems; Food Dreams Made Real; Echo Canyon; Hastings HVAC; ConAgra; Quantified Ag; NuTek Food Sciences; MetaGenome Analytics; and IntelliFarm. But in addition to that, we've had very successful partnerships with the University of Nebraska: NUtech Ventures, the Daugherty Water for Food Institute, UNL Department of Food Science, UNL Food Processing Center, UNL Food Allergy Resource...Research, excuse me, and the Greenhouse Innovation Center. It is clear that with the public-private partnership, the development at NIC is important to our state. The question has been asked about, how does NIC benefit our whole

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

Appropriations Committee
November 04, 2015

state? Here's my answer. NIC has sought a niche that would build on our university and our state's competitive advantages and, therefore, benefit the whole state. Nebraska's base is agriculture, and NIC has specialized innovation surrounding food, water, and energy. Each of these areas has a clear impact on agriculture, which is our state's number one industry. This direction led to ConAgra being the first corporation to sponsor at NIC, followed by the Food Innovation Center which just opened this past July. I believe the answer is clear that growth, development, and innovation at NIC helped grow our entire ag economy across our state. With your work and with the work of the staff at NIC and with the work of the private commitment of board members, we've learned a lot over these past months and years. We've learned that NIC is like any other start-up venture. It takes time and commitment for success, and it's different, it's clearly different than other real estate developments. We've also learned that NIC is clearly directed by a combination of the best of the private sector and the best of the university sector, and it brings those together for a new type of innovation. We've also learned that NIC is on schedule. In fact, by many standards it's above schedule. We've also learned that NIC is important for the future success and growth of our university and the future success and growth of our state. And, yes, we've also learned, with the \$25 million investment, that additional investment by the Legislature will clearly accelerate the success at NIC. But you know what? We've also learned some other important things. We've learned that we have yet to adequately answer some of the important questions that you have asked, questions like presenting a detailed business plan addressing the current and future needs of NIC. Is our most important objective at NIC building more buildings to address the additional private sector needs? Or is it to create more shelf space for higher risk start-up businesses? Or is it to create a model for more venture capital involvement? Those are questions that we have yet to definitively answer. Until these questions are answered, we've decided to hit the pause button. The board of NIC is committed to providing the Legislature with the answers it needs to make informed decisions about these future investments. Therefore, we plan to come back to the Legislature in the future with a more detailed and concrete plan. This could be in the form of an amendment to our current legislation, which still sits on the floor, or it could be entirely new to the Legislature. I want you to know I remain committed to NIC and its benefits, not only for our university but to our state. NIC can and will be successful. The future investment by the Legislature will accelerate this success. I personally believe that's the function of the Legislature. We as senators have the ability to make things happen. I look forward to coming back in the future with questions answered and a

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

Appropriations Committee
November 04, 2015

unified plan of approach. Thank you for your time today and for your commitment to the University of Nebraska. And I'd be happy to answer any questions. [LR200]

SENATOR MELLO: Thank you for your testimony today, Senator Williams. Are there any questions from the committee? Senator Haar. [LR200]

SENATOR HAAR: Yes, I am committed to the NIC. I think it's a great idea and that it is actually functioning on schedule. But a question that's come up a number of times, and I'd like your opinion from...since you're a successful businessperson, a number of times the issue has been raised of whether the university has the expertise to develop land and property and so on. This kind of endeavor is different from what the university has been doing. How would you react to that? [LR200]

SENATOR WILLIAMS: I think that's a, Senator Haar, a great question and my first answer would be I think the university by itself does not necessarily have that level of expertise. I think that's why it's been critical that the university, through Innovation Campus, has involved the private sector. And there are...from the initial concept, from the creation of the board of directors of NIC, we have had five individuals representing their individual interests as voting board members on that. I have...I'm proud to have been one of those from the very beginning and I remain on that board today. You're going to hear today testimony from Dana Bradford, one of our other board members that has been involved with these kinds of developments, not just in...at Innovation Campus here but also in Omaha. And I think that would be a great question to ask him also. But to answer your question, I think with the combination of the best information that the university has, and expertise, with the private industry, we can address and have addressed how we can be successful. And we've learned from each other. I've had my eyes opened many times by Chancellor Perlman and Ronnie Green and Dan Duncan and the other people that are involved with those decisions, and I think they would tell you that they've had some aha moments from listening to the private sector. [LR200]

SENATOR HAAR: And I guess from my discussions I've had with you, this board has not been just come to a meeting board, but they've been hands on and detail oriented. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR WILLIAMS: Very much so. And I think if you look at those people that are the private sector board members, none of them are sit back and let somebody else do it people. They are all very hands on. [LR200]

SENATOR HAAR: Good. Thank you. [LR200]

SENATOR WILLIAMS: And that's why it is so difficult for me to press the pause button. [LR200]

SENATOR HAAR: Okay. Good. (Laugh) [LR200]

SENATOR MELLO: Senator Kintner. [LR200]

SENATOR KINTNER: Thank you very much for coming. Unlike Senator Haar, my commitment is to the taxpayers. But that's not mutually exclusive with what we're trying to do on Innovation Campus. I also appreciate your willingness to assess the situation, to work with us. I mean I find it very refreshing, what you're saying. I guess my question is, what's the time frame that you see as you're reworking things on pause here? What's the time frame for coming back or making a decision as to how you're going to proceed and what might be our role in it. Is it six months? A year? Three months? Two months? [LR200]

SENATOR WILLIAMS: Thank you, Senator Kintner. And again, thank you for being the conscience of many of us on tax issues. I can't answer definitively the time frame. I am hopeful because, as I just mentioned to Senator Haar, the pause button and taking the foot off the accelerator are something I'm not used to doing. So I am hopeful that we will be able to analyze the situation sooner rather than later and address the questions that you have asked over, you know, the questions that came up when we were at the campus. When we can definitively address those in a way that I can look you in the eye and say, this is what it is, Senator Kintner. Then count on the fact that we're going to be back. That could be as early as the upcoming legislative session. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR KINTNER: Thank you for coming and, once again, I appreciate your attitude. I look forward to working with Senator Haar and my colleagues to see what's the best fit for our state. [LR200]

SENATOR WILLIAMS: Thank you. [LR200]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Senator Williams. [LR200]

SENATOR WILLIAMS: Thank you. [LR200]

SENATOR MELLO: Our invited testimony this afternoon will be President Hank Bounds; Dana Bradford, the Nebraska Innovation Campus Development Corporation board member; Ben Steffen from Ag Builders; and our last invited testifier will be University of Nebraska-Lincoln Chancellor Harvey Perlman. President Bounds. [LR200]

HANK BOUNDS: (Exhibit 1) Thank you, Chairman Mello and members of the committee. I'm Hank Bounds, H-a-n-k B-o-u-n-d-s, and I am president of the University of Nebraska. I certainly appreciate the opportunity to spend a few minutes with you today to talk about Nebraska Innovation Campus. Thank you for taking the time to study this important initiative, which I believe is the right strategy for the university, our faculty and students, and the state. I also want to give a special thanks to Senator Williams for his support for this project. My colleagues who have been involved with Innovation Campus much longer than I have will be in a better position to talk about some of the details when they come before you later. But I thought it important for me to do a couple of things today. One, thank you for your investments you've made so far, which have contributed enormously to our early progress. The developments you've been reading about in the newspaper, like new private partners and expanded research opportunities in areas that matter to our state, like agriculture and food science, would not have been possible without your support. All of Nebraska stands to benefit from the research and collaborations that are underway at Innovation Campus. I am truly grateful for your partnership. The second thing I want to do is to reiterate my commitment to the vision we've articulated for Innovation Campus since the very beginning. The vision was developed before I came to Nebraska, but it certainly

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

Appropriations Committee
November 04, 2015

has my full support. I know the devil is in the details. Moving forward, one of the things that we'll be focused on is working with our stakeholders to build on our plans for Innovation Campus and develop metrics with our vision so that you, your colleagues in the Legislature, and Nebraskans can stay up to date on our progress, know where we're headed, and see how we're defining success. But I also think it's important to remember that we...to remember what we set out to accomplish together with this initiative. From the start, we defined Innovation Campus as a public-private partnership that would leverage university research expertise for economic growth in our state. I only wish we would have started down this path sooner. Particularly at a time when Nebraska's continued success depends on our ability to sustain a competitive economy, the goals we've laid out for Innovation Campus with regard to job creation, work force development, recruitment of top talent, and partnership with the private sector could not be more critical. So the conversation I hope to have with you going forward is how we can best work together to achieve those goals in ways that make sense for Nebraska. I think that's what our constituents expect us to be doing--joining hands to advance widely shared priorities for job creation, research growth, and economic development. In my view, Nebraska Innovation Campus is directly aligned with those priorities. Innovation Campus represents an enormous opportunity for our state: an opportunity to connect the research expertise of our faculty members with the resources of the private sector to bring breakthroughs from the lab to the marketplace; an opportunity to attract more talent to Nebraska and expand internships and job openings that keep bright young people here; an opportunity to grow entrepreneurial activity and foster a culture of innovation that is not limited to Lincoln but extends across the entire state. I think if you spend time at Innovation Campus today, you'll see that good things are happening there. The relocation of our Food Science and Technology Department has created a critical mass of students and faculty who are excited to be there and who are already filling up their expanded space. We have a state-of-the-art Greenhouse Center that houses technology that we hope will lead to better and stronger crops. We have announced a string of private partners who will be moving onto campus in the months ahead, including start-up companies that are at the heart of any vibrant company. And those are just a few examples. So we're excited about what we've done so far while recognizing that much work is ahead. We always knew that Innovation Campus would be a long-term development. But we are more convinced than ever that our vision is right for Nebraska. We look forward to our next phase of growth and to talking with you and all Nebraskans about our progress. Thank you. And with that, I'd be happy to take your questions. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR MELLO: Thank you for your testimony this afternoon, President Bounds. Are there any questions from the committee? Senator Hilkemann. [LR200]

SENATOR HILKEMANN: Dr. Bounds, the first testimony here we heard today that they're going to kind of take a step back, reassess, come back to us again. Are you comfortable with that? [LR200]

HANK BOUNDS: I am. [LR200]

SENATOR HILKEMANN: Okay. [LR200]

SENATOR MELLO: Senator Cook. [LR200]

SENATOR COOK: Thank you, Senator Mello. And thank you, Dr. Bounds. It's good to see you. You and I have had the opportunity to talk about our shared vision of encouraging student success at the university and even to the point of encouraging them as early as their early childhood development to prepare them for success at the university. How might you describe Innovation Campus as fitting into that vision, which many of my colleagues share of my colleagues who don't serve on the Appropriations Committee? [LR200]

HANK BOUNDS: So, you know, universities do lots of important work. We focus on training educators who can meet the needs of our youngest, most vulnerable citizens. We research those fields. But we also on the other end of that work to create new job opportunities and I think, you know, we can't just work on one end of the continuum. Innovation Campus is really about food, fuel, and water, and so it's about, you know, finding healthy food alternatives. So, you know, I think there are lots of things there that could impact young children, but most importantly I think we're going to create, you know, at the end of the day, you know, hopefully safer food outcomes but also create jobs that will be available for them as they grow older and matriculate through the educational process. And so it may not be directly tied to early education outcomes, but it certainly has an impact on our children in the state. [LR200]

SENATOR COOK: Okay. Thank you. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR MELLO: Any other questions from the committee? Senator Kintner. [LR200]

SENATOR KINTNER: Thanks for coming, Dr. Bounds. Two questions: First is, what should the university's role be? I mean is it the senior partner in this thing, moving it forward, or a junior partner with the private sector, or an equal partner, or is there some other role that you envision down the road the university having in Innovation Campus? [LR200]

HANK BOUNDS: Yeah, I think that's a good question and I think it's all of the above. In some places it will be the senior partner, in some places we'll be the junior partner, in some cases we'll be sort of an equal partner. It really depends on what the venture is. You know, around the Food Science, obviously, we're the senior partner. There may be companies that come in that are the senior partner, where we're doing research and I would consider us to be a junior partner. And so I don't think we can go into this saying there's a one size fits all for the various types of companies that we want to bring in. [LR200]

SENATOR KINTNER: Second question: What's the taxpayers' role in this? [LR200]

HANK BOUNDS: What is the taxpayers' role? You know part of what we do with taxpayers' dollars is to create value-add. And so if you look at the investment that's made by taxpayers' dollars, I think what you find is we have a multiple dollar return on every dollar invested. So we want to make certain that whatever we invest in at Innovation Campus, you know, we should think about how do we turn that into a value-add. So obviously, we have to take taxpayers' dollars. We take tuition dollars. And we create value with that. Does that answer the question? [LR200]

SENATOR KINTNER: I think it does. Yeah. That will work. All right. Thank you very much. Appreciate it. [LR200]

HANK BOUNDS: Thanks. [LR200]

SENATOR MELLO: Any other questions from the committee? [LR200]

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

Appropriations Committee
November 04, 2015

HANK BOUNDS: Thank you. [LR200]

SENATOR MELLO: Seeing none, thank you, Dr. Bounds. [LR200]

DANA BRADFORD: Good afternoon, Chairman Mello and the committee. My name is Dana Bradford, D-a-n-a B-r-a-d-f-o-r-d. Don't be alarmed. I've got a bit of a cough and so I'm up here with cough drops, just on the outside chance I might need them. As mentioned earlier, I am on the board of NIC and have been a part of the process from the very beginning. You know, I'd welcome questions after I tell a little bit about my story. And I think I probably bring a unique perspective, so I'd encourage you to take advantage of that with your questions. The first time I became aware of this vision, I was working on Aksarben Future Trust, a project that has become known as Aksarben Village. We had a tract of land that was the former racetrack and 63rd and Center was really kind of an area that had no sense of identity. And we began to look at the resources that were there and what we might be able to create. And this was a community project that resulted in a sizable public-private partnership and, you know, it's been a success. And there's a lot of reasons why it became a success, and I won't get into all of them. Sometimes it's better to be lucky than good. But I will come back to a point that's very relevant between the two. But back to the process. I was asked to come in and really work with the vision, a rough vision for this, and work with Chancellor Perlman and others to determine what could this be. So we began a process that I observed. We brought in a lot of experts from all over the country that had seen a lot of research parks and that afforded us an opportunity to really see what's worked, what hasn't, what do we have from a strength, what could we leverage, those kinds of things. And from that, we refined the value proposition, the vision for the area. And we started to select the players that were integral in making this public-private partnership happen. And as it always come down to, people are the difference maker and this situation was no exception. So as the process began to materialize from...into a plan, we looked at it and, as a part of it, I was asked to go on the board. And at that time I can tell you that I thought that this project was among the biggest projects, you know, in Nebraska; that it could make, by far, the biggest impact of anything else in Nebraska. And as I sit here today, I still believe that. And so when we went to work, we went to work figuring out, all right, how can we go about getting the private sector involved? And this is where it gets really, really tricky. And you guys were asking earlier about how long does this take. It's an important question, but I can tell you that really what crystallizes

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

Appropriations Committee
November 04, 2015

the ability to move it across time is a value proposition. And through the University of Nebraska-Lincoln, under, at the time, J.B. Milliken and Harvey, they were able to create a value proposition that brought forward the intellectual property that was in the university and to bring it into an environment that the private sector could see. It's very difficult to get a situation where the private sector can see the value proposition. Once they do, they tend to engage. In this situation, you're chasing two kinds of private sector dollars. You're chasing the developer money, but then you're also chasing the corporations to come and create jobs. Both are very difficult. And you've got to demonstrate a commitment on the front end to get both. First, you got to step up and say, we're going to build this building and you're going to be a part of it, so you've got to be real definitive, which we were. And then the corporations see that investment and then they begin to be comfortable that the commitment is there and then they begin to make the commitments. And as that value proposition continues, we'll continue to see momentum that will lead to ultimately determining the time frame. And these things are an evolution. What happens is a certain intellectual property comes on to the campus, it matches up with the private sector, and it evolves from there. And their space needs change and a variety of good things happen. And I can tell you when you look at Aksarben, the reason it worked was we had a clear value proposition and we were able to engage the private sector first. And at the time, the University of Nebraska at Omaha wasn't really even a part of it. They were...they came later. They realized the value proposition and obviously, as you know, there's now an arena down there. The College of Business is on that campus. I can tell you that ten years ago that was not a part of their vision. It became their vision because they saw the opportunity. And it's that kind of an opportunistic approach that I think we're creating here at Innovation Campus and I remain very confident that it's going to generate the kind of results that I think you'll all want to see. And with that, I'll open it up to questions. [LR200]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Bradford. Are there any questions from the committee? Senator Kuehn. [LR200]

DANA BRADFORD: Yes, Senator. [LR200]

SENATOR KUEHN: Thank you, Chairman Mello. Mr. Bradford, thank you for coming this afternoon. I have a few questions I want to explore with you just for the public record. We've

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

Appropriations Committee
November 04, 2015

obviously had some of this information provided to us in Executive Session, but since it's our public hearing, would you discuss the nature of the relationship between the NIC board of directors and the university and how that is arranged and the legal separation of those two entities? [LR200]

DANA BRADFORD: Well, we worked diligently to create an independent entity. That's really been our objective from day one. It's been a challenge to become financially viable. When we started out we had no source of income. The university stepped up. You always have to have somebody step up, you know, and in this case the university had to step up to get this off the ground. And we're tasked with getting away from the university and stand as an independent entity. We have the leadership in Dan Duncan to get there. I'm confident we'll get there but it's taken some time. [LR200]

SENATOR KUEHN: Could you discuss the composition of the board, university employees versus private sector employees, the ratio and the expertise that is on the mix of that board? [LR200]

DANA BRADFORD: So you're going to get me on that one. So there's five outside, what I would call, business-oriented, business background board members, and then there are two or three...four, sorry, four, four associated with the university. [LR200]

SENATOR KUEHN: And what's the selection process or criteria for service on NIC's board of directors? [LR200]

DANA BRADFORD: Right now we have had little turnover, which is a real credit to that board. We've got an exceptional board and so we really haven't had to establish that. We have had a lot of discussions on succession planning, on how to go about that, but we really haven't refined that right now. Right now everybody has re-upped and is committed to seeing this through. [LR200]

SENATOR KUEHN: So how then is the process for selecting those individuals? Are they chosen by university officials? Does the board itself self-appoint? What was the process by which you were asked to participate in the board as well as the other private sector individuals? [LR200]

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

Appropriations Committee
November 04, 2015

DANA BRADFORD: It's probably better answered by the chairman, but I will tell you that from what I've observed, it's skill set driven. We're looking for a balanced board that has the skill set to make sure that this has the impact that we want it to on the state. [LR200]

SENATOR KUEHN: And ultimately, as members of that board, to whom are you accountable? [LR200]

DANA BRADFORD: All, to all board members and, for that matter, the Regents... [LR200]

SENATOR KUEHN: Okay, so you... [LR200]

DANA BRADFORD: ...and the state of Nebraska. [LR200]

SENATOR KUEHN: Okay. And... [LR200]

DANA BRADFORD: All stakeholders I would say. [LR200]

SENATOR KUEHN: And so how do you see that line of accountability? Is there a clear line of accountability either to the Board of Regents, to administration of the university, to this committee? Where is that line of accountability for individuals that I'm still unclear as to the criteria for selection for this board? [LR200]

DANA BRADFORD: Yeah, I serve on a similar board in Omaha and, you know, my answer is, you know, it's the stakeholders. And in this case it's everybody you mentioned. And structurally, one might matter more than others, but I can tell you from our board, we recognize that the entire state and everybody associated with that is a stakeholder in this investment and we treat it as such. [LR200]

SENATOR KUEHN: Thank you. [LR200]

SENATOR MELLO: Thank you, Senator Kuehn. Are there any other questions? Senator Stinner. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR STINNER: I'm just curious about this, and thank you for coming. [LR200]

DANA BRADFORD: Sure. [LR200]

SENATOR STINNER: Under the broad categories of food, water, and energy, have you as a board spent time compiling a list of companies that work in those fields, kind of a candidate list, either start-up companies or companies that are out there? [LR200]

DANA BRADFORD: Yes. I personally have not but management is at that every day. [LR200]

SENATOR STINNER: How about a list of projects that you'd like to see developed under food, water, and energy? [LR200]

DANA BRADFORD: There is. Every day they're looking at that. Now most of the projects are going to be dictated by the private sector partners that would come in and leverage the intellectual property. And so those tend to be defined by the partner in that particular area. [LR200]

SENATOR STINNER: And sometimes that's stimulated by the university and maybe some... [LR200]

DANA BRADFORD: Absolutely. [LR200]

SENATOR STINNER: ...of the professors there. [LR200]

DANA BRADFORD: To that point, when you mentioned the three sectors that you do, you know, that goes to the need for the university to continue to promote the development in those sectors. So grants and all the intellectual property that's created, it's critical that the university continues to keep that IP very robust because that's the value proposition that will attract these companies in the sectors you're describing. [LR200]

SENATOR STINNER: Absolutely. Thank you. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR MELLO: Thank you, Senator Stinner. Senator Kintner. [LR200]

SENATOR KINTNER: Thank you for coming. [LR200]

DANA BRADFORD: Sure. [LR200]

SENATOR KINTNER: Appreciate it. If I'm a private developer and I'm doing something like Aksarben, I know what success looks like because my P&L will tell me that I'm doing well, I'm successful. Describe to me what success looks like with Innovation Campus and how do we know when we've gotten to success. [LR200]

DANA BRADFORD: Right. So I think one of the things that Tetrad has done that's been exceptional is they're focused on getting the tenants in and they're very transparent on the costs. And so we're trying to keep costs down and get the tenants in at the lowest possible costs. That's a competitive advantage. And so we have a situation where we have a partnership with them so to a relatively controlled environment. It's not an arm's length arrangement. And I say that in that when Noddle Development builds a development in Aksarben, they're going to try and get the highest possible rent that they want. And when leases renew, they're going to try and get the highest possible rent. With the partnership that's being created with Tetrad and led every day by Dan Duncan, they're working constantly to make sure that the tenants can get in under arrangements that work for those businesses, and that kind of a feature is very unique and very important to this environment. [LR200]

SENATOR KINTNER: But in terms of what success looks like, is it a certain percent filled up, ... [LR200]

DANA BRADFORD: Yes. [LR200]

SENATOR KINTNER: ...built out, something like that? [LR200]

DANA BRADFORD: Yeah. So... [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR KINTNER: And have you defined an exact number, when you get that number this is success? [LR200]

DANA BRADFORD: The step one was important. I think critical mass is about where we're at. You had to get up to about 350,000 square feet to become legitimate, to really be able to demonstrate that this can become a 2 million square-foot office park. So we have the phase one scale that I think is needed to continue. I think that one of the challenges is to be accommodating. I'll use accommodating more than competitive, because you've got to have about 80,000 square feet available to be able to attract tenants. So when a tenant comes in and wants to focus on a sector and you can say, you can be here tomorrow, you know, we can build you out, that advantage is huge. And you will capture a lot of opportunity if we have that circumstance in our business model every day. And right now Dan and his team are working hard to keep about 80,000 square feet available. That's not easy because that's at somebody's expense. And right now it's at Tetrad's expense, which is another unique advantage that Tetrad has given us. [LR200]

SENATOR KINTNER: Okay. Thank you. Appreciate it. [LR200]

DANA BRADFORD: Okay. [LR200]

SENATOR MELLO: Senator Hilkemann. I apologize. [LR200]

SENATOR HILKEMANN: It's all right. Mr. Bradford, on the Aksarben project, and I...and my office was within a mile of that and so I got to see that whole project developed. And I know that the university certainly got a presence there. [LR200]

DANA BRADFORD: Yes. [LR200]

SENATOR HILKEMANN: Did you...did the Aksarben project receive any special funding from the Legislature? [LR200]

DANA BRADFORD: No. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR HILKEMANN: Okay. That's what I thought. [LR200]

SENATOR MELLO: Thank you, Senator Hilkemann. Are there any other questions from the committee? Senator Cook. [LR200]

SENATOR COOK: Thank you, Senator Mello. Thank you, Mr. Bradford, for joining us this afternoon. I think for...speaking for myself and for many members of the body as a whole, the perception of a start-up business is not necessarily in line with the kind of business that would have money to lease space. And from my understanding of this kind of endeavor, one has to have a balance between the ConAgras of the world and the future Apples of the world. [LR200]

DANA BRADFORD: Right. [LR200]

SENATOR COOK: Can you describe to me how Innovation Campus has a value proposition for the start-up that used to start in a garage or used to start in their grandma's kitchen? [LR200]

DANA BRADFORD: Yeah. There's been an effort in what we call the maker space and so innovation studio. What you're touching on is an important piece, trying to find the balance of getting to financial stability, filling up the building but at the same time leaving space available where small businesses can come and maybe only sign a six-month lease. It's difficult to create that space. You have to go find alternative funding. I think the management team has done a really nice job of getting that done. So I do think there's a presence and an opportunity for that type of a business situation here. There's certainly a commitment on the part of management and the board to see that kind of space prevail here. [LR200]

SENATOR MELLO: Thank you, Senator Cook. Are there any other questions from the committee? [LR200]

SENATOR KINTNER: I just thought of something. [LR200]

SENATOR MELLO: Senator Kintner. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR KINTNER: I'm sorry but it just reminded me. If Apple and Microsoft and all these companies started out in someone's garage or someone's idea are started in a dorm room maybe-- Facebook, why do we need to have space for innovators to come if it's already been done through history out of homes and garages and dorm rooms and so on and so forth? Why do we need to have a space set aside for that kind of work or development? [LR200]

DANA BRADFORD: Yeah, I would...this is my perspective which is...has all sorts of flaws. But it goes to environment. You've got to create the environment. Even some of the companies that you're talking about were born from Silicon Valley. You know, there was an intellectual approach that led to people to think that way, and that environment fostered. There wasn't a bunch of money that was there behind these companies. The money came after that innovation was there. And so you've got to create that environment and that's exactly what NIC is doing. [LR200]

SENATOR KINTNER: Thank you. [LR200]

SENATOR MELLO: Any other questions from the committee? Seeing none,... [LR200]

DANA BRADFORD: Thank you for the opportunity. [LR200]

SENATOR MELLO: ...thank you, Mr. Bradford. Good afternoon. [LR200]

BEN STEFFEN: (Exhibit 2) Good afternoon, Chairman Mello, members of the committee. My name is Ben Steffen, B-e-n S-t-e-f-f-e-n. I'm from Humboldt, Humboldt, Nebraska, where my wife Paula Sue and I operate a diversified dairy and crop production farm. I'm here today representing Agriculture Builders of Nebraska. This organization consists of approximately 200 agricultural leaders from across the state, drawn from both production agriculture and agribusiness. And I currently serve as president of the organization. Agriculture Builders of Nebraska firmly supports the development and the continued investment in Nebraska Innovation Campus. Nebraska Innovation Campus focus areas on food, fuel, and water are a great fit for Nebraska. This focus builds on the strength of our state's largest economic sector--agriculture--while simultaneously creating new capacity for innovation and leadership. Folks in agriculture know that huge changes and innovations have propelled the industry forward. We also

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

Appropriations Committee
November 04, 2015

understand that there are challenges in front of us that will require more research, more innovation, and more change. At Innovation Campus, data is being collected right now in the automated phenotyping system that will shorten the development time for new crop varieties. The opportunities, like that one, that flow from Innovation Campus will feed the success of the ag industry across the entire state and beyond. Equally important are the opportunities for students to see possibilities, to engage in learning and research, and to launch careers. This is happening right now as Food Science students learn in the Food Innovation Center. Those are our students finding their future success. Agriculture is all about growing. And combining research, students, and industry is a fantastic recipe for creating growth in the state of Nebraska. Investment and hard work are required for growth as well. And Innovation Campus is part of the investment we need to make to grow our agricultural economy, to cultivate new educational and career opportunities, and to reap a harvest that will ensure our future collective success. Thank you for your leadership and for this opportunity today to discuss Agriculture Builders of Nebraska's support for Nebraska Innovation Campus. [LR200]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Steffen. Are there any questions from the committee? Senator Kintner. [LR200]

SENATOR KINTNER: I'm going to wear this mike out. I'm sorry, but you said something...thanks for coming, by the way. You said something that piqued my interest. You said a shortened development time. I represent a rural district and not particularly poor but mostly ag, small businesses. If I told them, if you give us some of your money to the state and we're going to give it to Innovation Campus and there's a company that's going to shorten its development time, do you think that's a good deal, they'd go, heck no, keep it in my pocket. You know, I'd rather buy some books for my kids. I'd rather put some gas in my car. I'd rather pay those freaking car taxes we charge them. I'm sure there's a disconnect there between trying to tell them if we give a little state money here there's going to be a company out there that's going to shorten their...the time that they develop something that's going to maybe help us or help the company or help agriculture. I just don't think the average person in my district, at least, and maybe across the state would say, jeez, let me give you \$5 more this week in taxes so you can shorten development time of this new procedure that's going to help agriculture and farmers and whatever, as much as they may like farmers in my district. What would you say to that? [LR200]

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

Appropriations Committee
November 04, 2015

BEN STEFFEN: Thank you, Senator. I can appreciate the question, and here's how I would...here's how I look at this and I think many, many rural people in agriculture would, for example, take the approach they're very concerned about water resources. There is a great deal of concern across the state about our water resources and about our ability to sustain our production and to meet the future needs of this state in terms of production. It's a great deal of concern about that water sustainability. And if you had the ability to put your hands around the tap that controlled water flow to farmers and ranchers in this state, those farmers and those ranchers would feel as though you had your hands around their heart. So if there's a way to create innovations that will find more efficient crops, new ways to conserve those resources to sustain our state's agricultural enterprise, I think your constituents, my neighbors, will be very appreciative. [LR200]

SENATOR KINTNER: Good answer. Thank you. [LR200]

SENATOR MELLO: Any other questions from the committee? Senator Kuehn. [LR200]

SENATOR KUEHN: Thank you, Chairman Mello. Thank you, Mr. Steffen, for joining us today. I appreciate you speaking on behalf of production agriculture. Certainly innovation and biotechnology has improved our efficiency. I'm guessing probably maybe you're familiar with BST and some other animal health and genetic tools that you use every day in your dairy. One of the questions, since you're here representing Ag Builders, that I would like to explore a little bit in terms of your group's perspective on how Innovation Campus fits into developing and improving the quality of agriculture in the state revolves one around intellectual property. So certainly the innovation results in the development of a technology, that being an intellectual property which can be utilized to improve agriculture in Nebraska. You know, previously that model, such as by Nebraska Crop Improvement Association and others developing wheat hybrids and other, were existing in the public domain. Since you're here advocating for continued state investment and support of Innovation Campus, where do you feel that balance is then between using state dollars to develop privately owned intellectual property that will be sold back to you versus what that line is with state dollars developing intellectual property that then is part of the common space and available for all producers to access and utilize? [LR200]

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

Appropriations Committee
November 04, 2015

BEN STEFFEN: Senator, I think that's a very intriguing question. I think it's a very complex one. There's no question that the citizens of Nebraska value those innovations and deserve and expect a return, and my fellow ag producers are certainly sensitive to that. But I think, for example, we've seen tremendous innovation and research around, as you mention, wheat varieties and wheat breeding. And you would, I think, readily find, if we visit with the folks behind that research, that those innovations would not be possible without the partnership with private industry. So...in able to launch this type of research and innovation, that partnership is critical. And certainly we want to see that benefit the citizens of Nebraska and every part of Nebraska. And I think the benefit is clear as we find innovations and new companies who provide jobs and new enterprises and new learning opportunities, new businesses, all these things will benefit the entire state. [LR200]

SENATOR KUEHN: So my question isn't whether the benefit is there. My question is, who ultimately profits from and who pays for that benefit? I think a critical issue here is state investment, public investment in what hopefully will result in intellectual property. And I'm sure you, as I, cringe at that technology fee we pay for every bag of seed corn that comes and paying a private company for their intellectual property, which is the free market. However, those are developed with free-market dollars. So my question is, as we put money, further funds, into Innovation Campus to develop and create the value that President Bounds spoke about, how do we ensure that we are not taking, in terms of tax revenue, from Nebraska's farmers and ranchers, using that to fund an innovation, and then allowing a private company to then charge them for innovation that they helped fund and develop? What is that balance? And that's one of those issues that has not been really clear to me. You know certainly everything that you have discussed is 100 percent correct and valid. The challenge becomes, how do we ensure that that value goes to the Nebraska taxpayers who have ultimately taken the risk on those innovations? And I think that's a discussion in agriculture we're not having enough, which is, who owns that intellectual property, how is that intellectual property returned back to the taxpayers of Nebraska who took the risk? So that ultimately is one of my concerns with any state investment in biotechnology, so. [LR200]

BEN STEFFEN: Again, I appreciate the question. And you know, I would, for example, we're going to send our students from all over the state to the University of Nebraska to experience

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

Appropriations Committee
November 04, 2015

these opportunities, educational opportunities that this project would foster. And the experiences and the education those students see, the opportunities that they discover and explore, and the companies that they can create are a direct return to the state of Nebraska. So there are many ways to look at the return, and I think they're all positive. I don't know that we'll ever be able to define exactly where that line is. [LR200]

SENATOR KUEHN: Thank you. [LR200]

SENATOR MELLO: Thank you, Senator Kuehn. Senator Hilkemann. [LR200]

SENATOR HILKEMANN: Yes, sir, I have two questions for you. When you were doing your testimony, this almost sounds like the...I was raised on the farm and my dad used to go down to the Nebraska experimental farms too. They would have those. In some ways, do you see this, the Innovation Campus now, I mean being somewhat like the pioneer to what the Extension farms...service farms used to be or are? [LR200]

BEN STEFFEN: Senator, thank you. I think they're distinctly different and I think the enterprise that we see in Cooperative Extension that you're referencing obviously has had a huge and important influence on our state and on agriculture. This enterprise we're talking about at Nebraska Innovation Campus is an extension, something different and in an added way, to bring added value to our state, to create new capacity in new ways. And we don't know what those are yet. We don't know what companies and what research and what innovations may come from this yet. But certainly it's fertile ground for innovation and I certainly think it will impact us. [LR200]

SENATOR HILKEMANN: Because was that not the purpose or is that not the purpose of the Extension farms and so forth, like at Mead? [LR200]

BEN STEFFEN: Certainly. The Extension operation is a way to take the knowledge and research from the university, from the land grant system, and carry that to the public, back to the taxpayers, and to provide that education and those innovations back. That's correct. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR HILKEMANN: Okay. Now the most important question: Recently...I used to coach football at Table Rock and you're now with Humboldt. I sure hope you're taking good care of those grandchildren of the kids I coached back in 1970. [LR200]

BEN STEFFEN: We're doing our best, Senator. [LR200]

SENATOR HILKEMANN: Thank you. [LR200]

BEN STEFFEN: Thank you. [LR200]

SENATOR MELLO: Thank you, Senator Hilkemann. Are there any other questions from the committee? Seeing none, thank you, Mr. Steffen. [LR200]

BEN STEFFEN: Thank you. [LR200]

SENATOR MELLO: Our last invited testifier this afternoon is Chancellor Harvey Perlman. [LR200]

HARVEY PERLMAN: (Exhibits 3 and 4) Thank you, Mr. Chairman, members of the committee. I am Harvey Perlman, H-a-r-v-e-y P-e-r-l-m-a-n. I'm chancellor of the University of Nebraska-Lincoln and chairman of the board of NICDC. I didn't prepare elaborate testimony since I had a long and valuable opportunity to talk to this committee at its meeting a few weeks ago, and so I didn't think you would want me to repeat what I said then. We found it extraordinarily helpful that this committee would give us the time that you did last time and you raised some important questions, and we've certainly tried to go back and answer them. So the two documents that I have given you are our effort to respond to at least some of the major questions that were raised at that time. There was, and was today from Senator Kintner and others, a question about how will we know success when we see it. I think that one we've been pretty consistent on, that success looks like 2 million square feet of build-out with 5,000 employees that Nebraska wouldn't have otherwise. The real question is how you monitor progress towards that success, since that's a big number, right? And so in the first document that I distributed, "Issues Raised," we have tried to set out the metrics that we think we would want to

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

Appropriations Committee
November 04, 2015

know and will continue to evaluate as we move forward, and would certainly be willing to share with the Legislature and the Governor and anyone else that wanted to see it. So they basically are how the balance between state funding and private sector funding continues to grow, the square feet, the number of private companies, number of jobs, and so forth. And you can read down there. We would propose, as we've thought it internally before this event, that at some point we would do an economic impact analysis of Innovation Campus. I don't think that's something you want to do on a yearly basis. It's not cheap to do. But perhaps on a five-year basis we would take a look at what the real economic impact is. These metrics are ones we think we can collect and support. As I indicated to you at the last meeting, there are some limitations because we want to respect the confidentiality of the companies that are on the property. But we think these are ones that they would let us know about and that we could report back. Senator Stinner asked some questions about if under the fund that we had originally talked about whether we could protect state investments from the debt obligations of private sector companies. And we've done some look legally and it's not difficult to do, and clearly, we would expect to do that. There was a question about when Nebraska Innovation Campus would break even and that, obviously, relates to the state resources that are there. There are only two places where we are currently investing state resources. One is the support of the...well, there's three places. One is the support of the administrative structure associated with Innovative Campus: the executive director, his staff, ongoing things. Eventually, that ought to be covered by the revenue generated to NICDC and we estimate that once we get to about 700,000 square feet of leased space--right now we have about 370 (thousand) built, not quite leased--but about 700,000 square feet of space leased, that that ought to break even, that the ground rent from the developers will pay for the administrative costs associated with it. The other area where state dollars are going in is the CRES system, the Renewable Energy System. That is set up as a utility. Right now we are investing some state utility dollars into that but it is being billed out to occupants on the property. And again, we estimate that once we're at about 700,000 to 800,000 square feet of leased space, occupied space consuming electricity, that will break even. And then anything above that, we'll start to generate a profit. We are under contractual obligation to share some of that profit with the city of Lincoln, it's their water we're using, but we would think that relatively soon in this process that that will be a break-even proposition. The other place where state resources are being invested is in the support of our academic programs in Food Science. And academic programs never break even, if you think about revenue and cost. They break even, I think, in terms of the value that we provide

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

Appropriations Committee
November 04, 2015

to the state of Nebraska in terms of creating talent and creating research. So I hope that answers the questions that the senators raised. The other document, just quickly, there was concern about...not concern, there was a question about state dollars being appropriated by this committee to the university and then being transferred over to Innovation Campus. And what I've done here is list the functions of Innovation Campus, who had the spending authority, the amount, and the source of funds. And again, you will see that the state funds, tax, tuition dollars that you appropriate, there's about \$3.5 million going into basically the Food Innovation Center and the Greenhouse Innovation Center. Those are state funds that are supporting the academic programs and academic research conducted in those buildings and are not really directed at Innovation Campus as such. It just happens to be where they're located. The other funding sources are here and are supporting the other funds that the university has access to that we're using to build this project on behalf of the state of Nebraska. So I hope that would clarify some. I would, if you don't mind, I would just pick up two questions that were asked today and try and respond at least quickly to them. Senator Kuehn, the board of the NICDC is appointed upon recommendation of the chancellor and approval by the Board of Regents of the University of Nebraska. The practice...because we just added a board member actually so now we have six members of the board that are private sector. The practice is that we discuss it within the board itself and then I make a recommendation to the president. And if he approves, then we go to the Board of Regents and they approve it. So there is an accountability for those board members within the university structure. The second thing, and this may be more esoteric than you might want and I'll try and be short, but to respond again to Senator Kuehn's question about the intellectual property question. You know there's a classic story in intellectual property. Benjamin Franklin invented the Franklin stove. And as a patriot, he gave it to the American people and insisted not to have it patented. In England he patented it. And in England everybody had a Franklin stove and in the United States nobody had a Franklin stove because nobody had any incentive to manufacture it, improve it, and to distribute it. The federal government, in its research enterprise up until about 1970 I think, took all the intellectual property back from any federal research grant. And what happened was that all research grants sat on the shelf and it was never to the benefit of the public. And then they passed an act that said the universities could acquire that. The state does get returns back from intellectual property invented by university employees, our faculty. Any intellectual property created by a member of the university faculty within the course of their employment is a product of the Board of Regents. And then the Board

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

Appropriations Committee
November 04, 2015

of Regents has created rules that create incentives for faculty to invest in that activity by giving them a part of the proceeds. The university gets the rest. We reinvest it in research. So I think you do get the returns on investment. But you have to balance that against creating incentives for research to be distributed to the public, because that's why we do it, to improve the human condition. So with that, Mr. Chairman, I'd be happy to respond to additional questions. [LR200]

SENATOR MELLO: Thank you, Chancellor Perlman. Are there any questions from the committee? Senator Kintner. [LR200]

SENATOR KINTNER: Thank you, Dr. Perlman. I wasn't going to say anything else. I don't want to be the guy who gets up in the morning and pees in your Corn Flakes but... [LR200]

HARVEY PERLMAN: Oh, I'd be disappointed, Senator, if you didn't ask me a question. [LR200]

SENATOR KINTNER: So I'm reading this sheet right here, "Innovation Campus, Issues Raised." [LR200]

HARVEY PERLMAN: Yeah. [LR200]

SENATOR KINTNER: It says: The following represents quantifiable measures. [LR200]

HARVEY PERLMAN: Yes. [LR200]

SENATOR KINTNER: So the first one says percentage of investments. It says when...investments represent two-thirds of development. I got that. I can quantify that. Very good. Now the square feet of construction, and you said the speed of construction will be determined in the first instance by state investments. Now how do I quantify that? [LR200]

HARVEY PERLMAN: I don't know that...well, you will be able to quantify both of those, right, the number of square feet constructed and also how much money you've given to us. What our point has been all along, Senator, with Senator Williams' bill and our meetings and right now, is I

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

Appropriations Committee
November 04, 2015

am confident Innovation Campus will be successful. It will do the things we've intended it to do. It will drive economic development. It will create jobs. It will create internships for our students. What we've always said to you is that continuing state investment will accelerate that process. It will make it go faster. The \$25 million that you gave us before is...was critical to us being able to build initial space and to get this project underway. And so, you know, the choice is not one in which it's success or failure. The question is the speed in which you'll get the benefits from these investments. [LR200]

SENATOR KINTNER: Well, me, I may not be that smart, but as I read down, it said number of private sector jobs NIC, percentage of facilities leased by private sector, economic impact, number of conference...and it's under the heading of quantifiable measurements but there's no quantifiable measurements anywhere on here. You're telling me it will work, and you're pretty smart. I'm probably not going to doubt you that it's going to work, but there's nothing quantifiable on here that I can look at and know that we've gotten to where we need to be. [LR200]

HARVEY PERLMAN: I take your point as there is no projection for year one where we'll be on these, year two where we'll be on these, year three where we'll be on these. I take that, so there's no way to measure against a standard. My view is that we would love to be to that point and I think we should be at that point at some point, but we're a start-up company again and right now we're working opportunistically to take advantage of the opportunities we have. I would hope within three or four years, where we can see the momentum and we know what to expect, that we will be able to say, okay, our goals for next year is X number of employees, X number of construction. [LR200]

SENATOR KINTNER: Well, I guess my question is that when you say the following represents quantifiable measurements that will be tracked to permit the evaluation of performance,... [LR200]

HARVEY PERLMAN: Yeah. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR KINTNER: ...where are the quantifiable measurements? What is it? Or was that just a term that maybe could have been rephrased better? [LR200]

HARVEY PERLMAN: Well, it could have be rephrased differently I suppose. They're numbers. They're numbers. I could tell you that one of the metrics would be the rise of the culture of innovation among the communities associated with the university, but that would not be quantifiable, in my view. [LR200]

SENATOR KINTNER: Well, just... [LR200]

HARVEY PERLMAN: These are. These are numbers. [LR200]

SENATOR KINTNER: When you sit on Appropriations, you work with numbers and, you know, we try to look at numbers in everything we do. We try to quantify every dollar that we spend to see if it's been well spent, not spent well or well spent. So that's kind of what we're looking for. So anyway, that's kind of what I'm looking for. And I totally understand there's a vision and you know where you're going. Maybe trying to communicate it to us is a little more difficult than it seems sometimes, but I hate to be the bearer of bad news. [LR200]

HARVEY PERLMAN: Well, we'll continue to try and communicate with you. [LR200]

SENATOR KINTNER: With that, okay, thank you very much. I appreciate your attempt. [LR200]

HARVEY PERLMAN: I always appreciate your comments. [LR200]

SENATOR MELLO: I want to give, Senator Kintner, I'd like to give you an opportunity if you'd like to retract a statement you said at the beginning of your questions for... [LR200]

SENATOR KINTNER: What's that? [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR MELLO: I don't think I need to repeat it, but I'd give you the opportunity if you'd like to retract your analogy you used at the beginning of your questions with the chancellor. [LR200]

SENATOR KINTNER: No. [LR200]

SENATOR MELLO: Okay. Thank you. Any other questions from the committee? Senator Haar. [LR200]

SENATOR HAAR: Well, thanks for being here. [LR200]

HARVEY PERLMAN: Sure. [LR200]

SENATOR HAAR: And I've seen the movie The Martian twice now and I'll probably go back and see it some more. And the question I thought about is, why would we ever spend money to go to the moon or go to Mars? And it's just part of our spirit I think to have faith that it's going to result in something better. And so when we talk about innovation, the Innovation Campus, you know, innovation implies progress but it also implies risk. And so I'd just be interested in your reacting to that a little bit because you put a lot of yourself into this whole concept. [LR200]

HARVEY PERLMAN: Well, Senator, if you look at the economic patterns of the United States and the world over the course of the last 20 years and ask yourself how will the United States remain competitive in a global economy, and we know that it's unlikely we will be able to continue to remain competitive by low-wage jobs because there is a lot of countries out there that can compete with us better on that, the way we will and have competed is through innovation. Can't outsource that. We've always been a people that have been creative, have been innovative, have solved problems in new and unique ways, and have figured out a way to make money off of it. So that's the bet here on Innovation Campus and innovation generally, is if we don't create activities within the state of Nebraska that produce or have the possibility of producing innovation then we won't be competitive. You can talk to our agricultural friends. Think about if we hadn't done some of the research that we've done now and we're using farming methods of the 1940s. We wouldn't be a competitive place. So that, you know, research is always risky. You

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

Appropriations Committee
November 04, 2015

never know for sure, as Albert Einstein said, if we knew what we were doing we wouldn't call it research, right? [LR200]

SENATOR HAAR: (Laugh) That's good. [LR200]

HARVEY PERLMAN: But overall it's critically essential for our success, and that's what the bet is here. [LR200]

SENATOR MELLO: Senator Stinner. [LR200]

SENATOR STINNER: Thank you. I was just looking at your "University Investment--Source of Funds,"... [LR200]

HARVEY PERLMAN: Uh-huh. [LR200]

SENATOR STINNER: ...and this is my interpretation. We started out with about a \$9 million, \$9.2 million subsidy by the state coming into Innovation Campus. And it breaks down this way: \$472,000 that breaks even at 700,000 square feet. [LR200]

HARVEY PERLMAN: Yes. [LR200]

SENATOR STINNER: So I think one of our testifiers talked about phase one being a critical mass of 3,500. So if we want to put this in phases, phase one, get it up and running, get your critical mass. Phase two would be break even on \$427 (thousand) and \$1,090,000, which is the utilities. [LR200]

HARVEY PERLMAN: Yep. [LR200]

SENATOR STINNER: That relieves the state of its obligation to continue to try,... [LR200]

HARVEY PERLMAN: Correct. [LR200]

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

Appropriations Committee
November 04, 2015

SENATOR STINNER: ...for lack of a better term, "subsidizing" the project. Because Food Center was moved there, and Greenhouse Innovation, I don't even know if it was moved there but was created there... [LR200]

HARVEY PERLMAN: Created there, yes, sir. [LR200]

SENATOR STINNER: ...as part of your curriculum, that's always going to be in place. That will be part of the university and so that doesn't go away. [LR200]

HARVEY PERLMAN: Correct. [LR200]

SENATOR STINNER: So phase one, we've got the critical mass. Phase two will be 700,000, which relieves us of \$1.5 million. But we will always have about \$6.5 million, which is basically part of the curriculum of the university. I think that's what I'm reading. Is that... [LR200]

HARVEY PERLMAN: Yes, sir. [LR200]

SENATOR STINNER: ...accurate? [LR200]

HARVEY PERLMAN: You've got it, yes, Senator. [LR200]

SENATOR STINNER: Okay. Thank you. [LR200]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? I guess it's just maybe more of a clarification, Chancellor, in regards to the document regarding the metrics for determining success. The way I interpret your document is these are proposed as what the committee had discussed at our previous Executive Session with the university in regards to a lack there of metrics and/or benchmarks for the Legislature, the Governor, and the public to be able to identify progress and success as the Innovation Campus moves forward. These are recommendations or suggestions that the committee can look at in regards to not so much, quote unquote, numbers but metrics to be created that then the university

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

Appropriations Committee
November 04, 2015

would come back at a later point in time with numbers based off metrics like this. Am I correct kind of interpreting kind of this document? [LR200]

HARVEY PERLMAN: Yes, Mr. Chairman. I would just add that these are metrics we would do whether you were asking us to do them or not. [LR200]

SENATOR MELLO: Okay. Okay. [LR200]

HARVEY PERLMAN: They're important to us. [LR200]

SENATOR MELLO: Okay. Thank you for that clarification, Chancellor. Any other questions from the committee? Senator Hilkemann. [LR200]

SENATOR HILKEMANN: Dr. Perlman, I know this is your...this is sort of your baby. This is one of the things that you've... [LR200]

HARVEY PERLMAN: Well, a lot of people have worked really hard on this. [LR200]

SENATOR HILKEMANN: I understand that. I understand. Are you comfortable with taking this sort of pause that Senator Williams introduced earlier? [LR200]

HARVEY PERLMAN: Yes, Senator. I think that we need to be aligned and to be confident about what it is that we're asking you for. I am also confident that, as I said before, that continuing state investment will be important to accelerate this project and so I don't think the pause is a reluctance to ask for state investment. It is to make sure that what we ask you for will have the biggest impact. [LR200]

SENATOR HILKEMANN: Do you fear that this may slow some of the momentum that you have for the campus? [LR200]

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

Appropriations Committee
November 04, 2015

HARVEY PERLMAN: If the pause...it depends on how long the pause is, right? I mean we have a session coming up and if we can come up with something that seems reasonable and essential to come back to you with in the session, then it should not. [LR200]

SENATOR HILKEMANN: Okay. Thank you. [LR200]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Chancellor. [LR200]

HARVEY PERLMAN: Thank you so much for your time. [LR200]

SENATOR MELLO: That will end our invited testimony today. Is there anyone else here wishing to testify on LR200? Seeing none, Senator Williams, you want to do a close on behalf of LR200? [LR200]

SENATOR WILLIAMS: Thank you, Chairman Mello. And just very quickly again, thank you to the people that have taken their time to commit not only to this project but to the further education today. And Senator (sic) Bounds summed it up when he said it's the right fit for our state. And Dana Bradford and our other testifiers talked about how important this is for our state. Senator Hilkemann, you asked Chancellor Perlman a very insightful question about his commitment and this is his baby. I first met our chancellor in 1971. He was my torts teacher in law school. (Laughter) And his vision for me scared the heck out of me. But he was right and I had to work extremely hard to measure up to his vision. And today I'm committing that I'm going to continue that work for what is now his vision for Innovation Campus. And taking the foot off the accelerator doesn't feel good, as I said earlier, but we will be back. We will answer those questions. Senator Cook, you asked a very insightful question about shelf space for start-ups. And that's one of our dilemmas, because we are arguing among ourselves, gracefully, about the importance of building a building to bring in new private enterprise versus building out shelf space for a start-up that could be the Apple, could be the Microsoft that can't afford to build out that shelf space itself. And also throwing in there, how do we create a venture capital system that could work in this whole thing? The final answer is we will be successful. Our investment in our

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

Appropriations Committee
November 04, 2015

university can accelerate that success. Thanks for your involvement. Thank you, Mr. Chairman.
[LR200]

SENATOR MELLO: Thank you, Senator Williams. Are there any other questions from the committee? Seeing none, thank you, Senator Williams. That will end today's public hearing on LR200. Thank you. [LR200]