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Appropriations Committee
March 01, 2011

[AGENCY 51]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 47? Seeing none, we will close the public hearing on Agency 47 and open up the public hearing on Agency 51, the University of Nebraska. Welcome. [AGENCY 51]

BOB WHITEHOUSE: Good afternoon, Chairman Heidemann and members of the Appropriations Committee. My name is Bob Whitehouse, B-o-b W-h-i-t-e-h-o-u-s-e, and I am chairman of the Board of Regents of the University of Nebraska. Thank you for the opportunity to speak to you on behalf of the board in support of the Governor's budget recommendation for the University of Nebraska, including this proposal for state investment in Nebraska Innovation Campus. This is a special time in the history of the University of Nebraska. Enrollment is growing and we are succeeding in our efforts to make education accessible to students in Nebraska and elsewhere. Faculty are conducting research in areas important to Nebraska and the world. Our campuses are recognized as hubs of innovation that contribute to economic development across the state, and our fiscal management is as strong and as sound as it's ever been. I believe credit for this momentum goes to careful planning on the part of our leadership, our commitment to service to the state, and a sharp focus on our priorities, as well as accountability measures to ensure that we are living up to those priorities. Since 2005, the Board of Regents has been guided by a strategic framework which establishes goals and specific matrix in such areas as enrollment, research, graduation rates, engagement with citizens of Nebraska, and transparency to those who invest their resources with us. The strategic framework has created a new level of accountability in the government and the management of the university and it is a significant reason that we're as strong and healthy as we are today. Let me briefly share with you the six overarching goals of the framework. The first goal and the university's highest priority is affordable access to high-quality education. In recent years, we have kept tuition increases moderate and predictable, and our investment in need-based financial aid is at a record level. A vital component of accessibility is stable state support, and the

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Governor's recommendation allows us to continue to keep education affordable for Nebraska students and families. The second goal is to build quality academic programs with emphasis on excellent teaching. Success depends largely on our ability to recruit and retain outstanding faculty in a highly competitive environment. We have not awarded general salary increases for two years, a prudent strategy in these difficult times, but salaries at all four campuses continue to lag behind peer averages and this is not sustainable if we are to remain competitive. The third goal is work force development and stemming the outmigration of talent from our state. The University of Nebraska is an important talent magnet for Nebraska, attracting faculty whose research improves the quality of life for individuals and students who we hope will stay in our state and live and work and raise a family. We hear much about the brain drain in Nebraska. I believe the key to keeping our best and brightest here is to provide them with high-quality jobs and an environment rich with opportunities for business growth. These are the primary goals of the Nebraska Innovation Campus. Innovation Campus provides a model for how the University of Nebraska will approach innovation in the twenty-first century. We intend for each of our campuses to leverage the unique strengths of its faculty and students for the economic benefit of the community and the state. Look at the success of Aksarben Village, where University of Nebraska at Omaha plays a central role, and other big ideas taking shape in Omaha like Midtown Crossing in the downtown redevelopment. Innovation Campus will follow these footsteps, leveraging the work of faculty and students to build mutually beneficial partnerships between the university, government, and private sector for the benefit of Nebraska. The potential payoff for Innovation Campus is increased learning opportunities for our students and a more attractive climate for business and new jobs to help keep our talented people where they belong--right here in Nebraska. The Governor's recommendation, which would be leveraged into additional private funding, would provide a spark for Innovation Campus to get off to a successful start. Our fourth strategic goal relates to research growth. We've been highly successful in this area and Innovation Campus will capitalize on that success. The areas of focus at Innovation Campus--agriculture, energy, and water--are the areas most important to Nebraska.

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The new knowledge and jobs created through activity in Innovation Campus will have a significant impact on Nebraska, particularly in agriculture. The fifth goal is outreach to Nebraskans. The university has a presence and a role in every county in Nebraska, and it's helping Nebraskans start their own companies, increase the productivity and profitability of their farms and ranches and businesses, and enjoy a better quality of life. And the final goal is cost-effectiveness and accountability to the citizens of Nebraska, which includes careful management of our funds from all sources, transparency in our operations, and a commitment to implementing efficiencies to save money and identifying opportunities to grow revenue. One initiative I'm particularly excited about is Online Worldwide. It's our new distance education platform which streamlines costs, encourages the campus to collaborate in developing new on-line programs, and provides a new opportunity to reach out to students around the world, and to expand our tuition revenue. I recognize the challenges of today's economic climate, but I urge you to support the Governor's recommendation for stable state support for the University of Nebraska and for a bold investment in Nebraska Innovation Campus. These recommendations represent a strategic investment in Nebraska's future and have the full support of our Board of Regents. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Thank you for coming in and testifying today. Are there any questions? Senator Mello. [AGENCY 51]

SENATOR MELLO: Thank you, Chairman Heidemann, and thank you, Regent Whitehouse. A question that's been asked of I know a number of agencies is that the Legislature currently is considering proposals that in the future would earmark a significant amount of money from the state's General Fund to other priorities, and the question that's been posed to other agencies, primarily in the education sector, is has your organization, the university, maybe more so the Board of Regents, discussed this issue at all about how the potential impacts may affect the university system two years, four years down the road when these policies may come into effect? [AGENCY 51]

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BOB WHITEHOUSE: I think your question is definitely one for President Milliken.
[AGENCY 51]

SENATOR MELLO: Okay. [AGENCY 51]

BOB WHITEHOUSE: But I do believe that our... [AGENCY 51]

SENATOR MELLO: (Laugh) [AGENCY 51]

BOB WHITEHOUSE: ...our Board of Regents is engaged in that planning process.
[AGENCY 51]

SENATOR MELLO: Uh-huh. [AGENCY 51]

BOB WHITEHOUSE: And part of our strategic plan is to determine where we're at today, where we're going to be tomorrow, and to be able to measure in a matrix system those goals that we've set forth, and a lot of that deals with economic development. A lot of it deals with the open transparency of our budgets. So I'd answer your question by saying, yes, but these folks behind me will be able to go into detail. [AGENCY 51]

SENATOR MELLO: Okay. Thank you, Regent. [AGENCY 51]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 51]

SENATOR HANSEN: Thank you, Mr. Chairman. Good to have you here today, Regent.
[AGENCY 51]

BOB WHITEHOUSE: Thank you. [AGENCY 51]

SENATOR HANSEN: You mentioned salaries and that salaries had not been increased

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in the last two years. I'd like to have you explain that a little bit more, with the unions that have developed. And then secondly, you said among our peers, and then I know the transition to the Big Eight from...from the Big Twelve to the Big... [AGENCY 51]

BOB WHITEHOUSE: Big Eight, Big Twelve, Big Ten. (Laugh) [AGENCY 51]

SENATOR HANSEN: Well, I don't know what it is, the Big Eleven but nobody has come up with that name yet. But will the peers stay the same? I guess that's my main question. [AGENCY 51]

BOB WHITEHOUSE: We have not changed peers at this time. [AGENCY 51]

SENATOR HANSEN: Okay. [AGENCY 51]

BOB WHITEHOUSE: We are in discussion amongst Academic Affairs, even Business Affairs. We do know that we're going to come in at the bottom of the Big Ten when it comes to a lot of things, including our salaries. To answer your question regarding unions, two of our campuses are unionized, that's correct. We really are basically, through negotiations, told this is where it's going to be and our general salaries have not, including any of our chancellors, the president, any of the top leadership have not had raises in two years. [AGENCY 51]

SENATOR HANSEN: What percentage then of the professors that are unionized would...or employees in general that are unionized? [AGENCY 51]

BOB WHITEHOUSE: All I can tell you, it's UNO and UNK are the ones that are... [AGENCY 51]

JAMES MILLIKEN: Fifteen percent (inaudible). [AGENCY 51]

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BOB WHITEHOUSE: Fifteen percent? Okay. [AGENCY 51]

SENATOR HANSEN: Fifteen percent. Thank you. [AGENCY 51]

BOB WHITEHOUSE: Uh-huh. [AGENCY 51]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you for coming in today. [AGENCY 51]

BOB WHITEHOUSE: Thank you. [AGENCY 51]

JAMES MILLIKEN: (Exhibit 5) Mr. Chairman, members of the committee, my name is James B. Milliken, M-i-l-l-i-k-e-n. I'm the president of the University of Nebraska. I am appearing today along with Chairman Whitehouse in support of the 2011-13 budget recommendations made by Governor Heineman and advanced preliminarily by this committee. This may be the first time in legislative history that a president of the university has come before this committee to speak in favor of a budget that provides no increase in state General Fund appropriations for operations of the university and that, if approved, will require us to reallocate millions of dollars over the next biennium to meet rising operating expenses. But that is my position and, in fact, I want to thank you for your initial support of such a budget. Given the state's current fiscal situation, I believe that this budget is a reasonable approach for the state and for the university, and when the proposed investment in Innovation Campus is included, I think it is a very good budget, not just for the university but especially for the state of Nebraska. At a time when there's a consensus among leaders in business and government and education that education beyond high school is essential for economic competitiveness, I'm gratified that the Governor and the Legislature are committed to higher education in Nebraska. It's clearly a difference maker in the twenty-first century, a fact that is driving policy decisions around the world. Your efforts to help provide affordable access to a high-quality university education represents one of the best investments that can be

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made for the state of Nebraska. Over the last few years, the university has experienced the difficult economic and fiscal conditions, as has everyone else in Nebraska and across the country. If this budget is approved, it will essentially mean the fourth and fifth years of flat state funding for the University of Nebraska. During this time, the budget has continued to increase, our obligations have continued to increase. We project a 10 percent increase in health insurance costs for the next biennium, 5 percent increase in utilities costs, and we sought additional funding for need-based financial aid in our programs of excellence. We will continue to invest in all of these with flat support from the state. The budget proposed does not address those expenditures, nor does it propose a salary increase for the first year of the biennium. As a result, we will make significant reallocations within the budget to meet those needs for expenditures. As Chairman Whitehouse said, affordable access to higher education remains among our highest priorities. Over the past six years we've promised students and their families moderate, predictable tuition increases, and I believe we've kept that promise, averaging 5 percent tuition increases a year. Reductions in state support and tuition increases in other states that are not in as strong a position as Nebraska are closing doors to thousands of students in their colleges and universities, and we do not want that to happen in Nebraska. In this regard, we're fortunate to have both state and private support for student financial aid, in addition to federal support. Last year, the University of Nebraska Foundation provided over \$18 million for scholarships at the university. Our Collegebound Nebraska tuition program allows some 6,000 Nebraska students to earn a degree at the university and pay zero tuition. Your initial recommendation of funding for the Nebraska Opportunities Grants would provide modest but important additional support in this area. State funding of financial aid is especially important this year because the federal Pell Grant program appears to be at significant risk. Because our financial aid programs are tied very closely to the Pell Grants, any reduction in these awards would affect students who are currently receiving other types of aid at the university this year and in the future. This year there are over 10,000 Nebraska students, that's a little over a quarter of all students, who receive Pell Grants, with the average grant close to \$4,000. I am quite aware that funding for Pell Grants is not on

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your watch but I want to assure you that we are doing everything we can to make sure that our federal delegation from Nebraska understands the impact that this would have on you and your decisions, and the impact on students at the University of Nebraska. As Chairman Whitehouse suggested, the university is in a remarkable position in 2011. The Lincoln Journal Star editorial on Sunday said that the "eyes of university campuses elsewhere in the country will be watching with envy." I can assure you they already are and it's not just because of the exciting announcement last week about Innovation Campus, which the editorial was mainly referring to, but it is because of many other elements of momentum and success at the university. Chairman Whitehouse referred to our growing enrollment. For six years in a row our enrollment has increased now to about 50,000 students--a 17-year high. At the same time, we have a record number of international students, minority students, and nonresident students at the University of Nebraska. These are each key strategies as part of our enrollment growth. In particular, nonresident student enrollment contributes to revenue growth at the university but, more importantly, it provides the opportunity to use the university as a talent magnet to attract other smart, young people to Nebraska. Research demonstrates that one of the best indicators that we have of where people live and work and raise families is the last place they attended school. This is a strategy the Legislature suggested to us about eight years ago and we have embraced it and I think we've shown success, but we want to do considerably more. Over the last decade, our research funding has essentially tripled from about \$90 million to \$260 million. It's a testament to the success of our faculty and the talent of our faculty--one of the reasons that we do not plan to go another biennium without providing a general salary increase. There was a reference to the Big Ten earlier. This is an exciting development. You may have read that the representatives from the Committee on Institutional Cooperation are in town today--I saw them at breakfast this morning--visiting UNL. This is an exciting development and not especially because of the athletic component but especially because of the academic component. And we have seen an impact already on our recruiting across the country because of this association. I'll preempt I guess one question that may be asked again from Senator Hansen. Our current peer group, each campus has ten universities in its peer group,

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UNL's is about half Big Ten today and about half Big Twelve. It is never dependent on the athletic conference makeup for a campus's peer group, so I don't see the move to the Big Ten as driving a need to change peers. We'll clearly measure ourselves, and in the popular discussions people have compared us in many ways to the other Big Ten institutions and I think that will happen regardless of what we do with our official peer group. But as the chairman of the board said, we have been talking about the need after about 15 years to look at our peer group and see whether there's some changes that need to be made. And in fact, there may be some needs for changes in the other campus peer groups even more than with regard to UNL. But peer groups are a pretty rough measure of comparability and so, for today, I would say this rough measure is still a pretty good sense of how competitive we are. We've continued to get a good deal of support from the University Foundation, over a billion dollars over the last decade, for facilities that have greatly improved the quality of the campuses and the academic programs that are housed there. I'd draw particular attention to three outstanding gifts that were made possible through private support of the university over the last year: the Engler gift for agribusiness entrepreneurship, the Daugherty gift for water for food, and the Buffett gift for early childhood. These are areas where, because of the strength of our faculty in these areas, because of the interests of the state of Nebraska and how closely they are aligned with the future of our state, I think they're remarkable opportunities for the university. There are also, I believe, opportunities for us to be national leaders in this area and I think ultimately Nebraska will be the great beneficiary of that. I want to mention the budget includes a budget for the Nebraska College of Technical Agriculture, which is seeing some tremendous growth in opportunity over the last few years, and I think its impact will continue to be significant for rural areas of the state. Through this committee's leadership and a combination of public and private funds, we were able to break ground on a new education center, I think which will make a tremendous difference, and also leverage some new residence halls there. You may have seen in the newspaper a reference to the Combat Boots to Cowboy Boots Program there, and if you didn't see it in the local paper it was in The New York Times quoting the dean of the College of Technical Agriculture. It may be one of the few times

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that someone from Curtis is quoted in The New York Times but as well he should have been. It's one of a number of exciting programs there which I think speaks well of the university's commitment to rural Nebraska and its future. I want to second the chairman's support for Innovation Campus. The Governor's recommendation for one-time investment in Innovation Campus I'm not sure I'll spend a lot of time on this because there was an announcement that got a lot of attention last week. This is more important than ever. It's more important than ever because the federal support for a key component of Innovation Campus is in question today. It's more important than ever because now that we have entered into an agreement with a private sector partner for the development and are beginning in earnest on the next phase of development of Innovation Campus, this will allow us to jump-start its development. It will allow us to fund the development of the 4-H Building, which is a commitment that we made which honors the heritage of that area and Nebraska's heritage. And also last week at the media announcement, the developer partner agreed to...made a commitment to complete the entire renovation of the 4-H facility. This would...the funding in the budget proposed here would provide less than half of the funding necessary, and so that's an example of, I believe, the jump-starting. It will also help leverage a significant amount of private support for a life sciences facility. Finally, I want to mention that there is an additional capital item in our request. It has been our highest priority for the last several years. A few years ago Dean Tilden from the College of Nursing made a presentation to the Board of Regents that highlighted a projected shortage in nurses in Nebraska--4,000 by 2020. The university, under her leadership, adopted a three-part plan to address that: one, a public-private project in Norfolk, which is now completed and going strong; second, a new addition to the College of Nursing in Omaha, which is now in place and providing opportunity to educate more nurses; the third, which was probably on the books longer than the first two, was providing appropriate space in Lincoln. We have been for the last six years in rented space in downtown Lincoln, not created or even particularly well-adapted for this purpose. We understand that today it will be extremely difficult to address this in this budget and in traditional means, but we have been in discussions internally about how we might try to do this and we look

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forward to talking to the committee and other leaders in the state in how we meet this shortage in nursing education, and particularly how we, through maybe means other than a direct appropriation, can address the need for a nursing facility in Lincoln. So with that, I will stop and see if you have questions. I guess I'll finish again by saying thank you. I know this is a difficult session for all of you. It is a difficult period for Nebraskans. But I think most would be gratified and supportive of both the Governor and this body's continuing support for an investment in the future of Nebraska, which is represented by your budget recommendations for education. I thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator Fulton. [AGENCY 51]

SENATOR FULTON: Thank you, Mr. Chairman. Thank you, President Milliken. A couple point...or a couple questions, one point, one question: Appreciate your mentioning the College of Nursing and making it part of your testimony. We're working hard on this and I'm hopeful that we'll find a resolution such that we can move forward. The question has to do with tuition. We've seen historically, and I think you mentioned in your testimony, that 5 percent has been a number here in recent years. Given the work that we've been able to put forward in our preliminary budget and assuming that we're able to hold to that preliminary budget as we move forward legislatively, would you care to hazard a guess at what might happen to tuition rates in the ensuing budget? [AGENCY 51]

JAMES MILLIKEN: Would it surprise you if I said no? [AGENCY 51]

SENATOR FULTON: It wouldn't, but maybe we could ferret out an idea. [AGENCY 51]

JAMES MILLIKEN: You know, what we have tried to...what we have...it's early in this process, I will say to start. The board's practice for the 20-some years I can recall it is to set tuition rates at its first meeting in the summer. There's a lot of discussion that will take place in board meetings and committee meetings prior to that, and always a good

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part of that discussion depends on what this body does. There are a number of components of affordable access. In my view, the single most important one is a stable base of state support. You see what happens over history when state support goes down, and I'm not predicting the future but I am suggesting if you look at the past you'll see a pattern there. In the earlier part of this decade, we saw tuition increases that were more than double what we've been able to do over the last six or seven years. I'm pleased with what the board has done in holding tuition I think to be a good value. Expenses in higher education have continued to rise. Our budget is 80 percent personnel based and we are in a talent business. We are recruiting and often in national markets for talent at the university and we are committed to providing a high-quality education. At the same time, if you look at the comparisons of our tuition with our peers, I believe the University of Nebraska at Kearney is second to the lowest among its peers. I think UNO is third to the lowest. I think UNL is fourth from the bottom in its list of peers. Think the College of Medicine, which we provide often for an example from the Medical Center, is about third from the lowest among its peers. So I think over the years the university has done a good job of providing a predictable, moderate level of tuition increases which has allowed us to continue to do the things that we've done but also keep the University of Nebraska affordable. At the same time, another important piece of affordability is need-based financial aid and over the past few years with Collegebound Nebraska and our guarantee to Nebraskans that if you get a Pell Grant at any level you will pay no tuition at the University of Nebraska, as I mentioned before that now covers 6,000 Nebraskans who are at the university. So there are a number of pieces of this. I am certain that the board will continue its stated goal of affordable access to the university, which is first among its goals, and the way it does that I believe is by providing moderate and predictable increases in tuition so that even as costs go up families and students can prepare for college. [AGENCY 51]

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

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 51]

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SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you, President Milliken. Thank you for the enlightened, encouraging words. I think most of it has been encouraging. However, when you start talking about where we stand in our peer groups, that's probably not as encouraging as it might be. You talked about where we stand in our peer group. In our peer group, what have been the increases? You said we hadn't had any, I believe, since 2008 at the University of Nebraska. Is that right? [AGENCY 51]

JAMES MILLIKEN: You're talking about... [AGENCY 51]

SENATOR WIGHTMAN: Any increase in salaries. [AGENCY 51]

JAMES MILLIKEN: Salary. Well, I don't think I mentioned that but the chairman did, but I'll try to address that a little bit. In the year...the two years of the current biennium, we have not provided a general salary increase across the university. Now as Senator Hansen pointed out, we do have two bargaining units, the UNO and the UNK faculty, and I guessed earlier that that represented about 15 percent of our faculty. It's probably under 20 and I can't tell you. So you take the 14,000 employees at the university, most of whom are staff and received no general salary increase. We provided 1.5 percent in the budget in the first year of this biennium to be used for competitiveness purposes, retention and other purposes, so that we could use it, the chancellors and the deans and department chairs could use it in a targeted way. But we did not provide, as we have in the past on some occasions, a general increase. So many people did not see salary increases, including the chancellors. The current year we provided zero funding for salary increases. We have on occasion made some exceptions when we needed to for retention or competing offers or that kind of thing or promotion, but those are rarities within that group. Now other...and one of the reasons that we've been able to do that this year is because of what's happened in our peers and across the country and it's allowed us to not lose a lot of ground competitively during this biennium. We know a number of our peers didn't provide across-the-board salary increases this year, a few

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did. I was surprised I think to see that Ohio State provided a significant salary increase for their faculty in the current year. Don't know how they did that, given the economy in Ohio. I may need to learn more about that. But for the most part, they were minimal increases. So we haven't lost a lot of ground in the current year or two, but we continue to lag particularly at UNL and the Medical Center. Because of the bargaining units and the collective bargaining process in Nebraska, UNO and UNK have kept up, more or less. I think we're probably over 5 percent behind at both of the nonunionized campuses on average. [AGENCY 51]

SENATOR WIGHTMAN: And I believe you said that the peer group is made up of about half Big Ten and half Big Twelve schools. [AGENCY 51]

JAMES MILLIKEN: The UNL peer group is about half Big Ten, half Big Twelve. [AGENCY 51]

SENATOR WIGHTMAN: Little hard to determine which is the Big Ten and the Big Twelve now that the Big Ten has 12 schools and the Big Twelve has 10, is that right? [AGENCY 51]

JAMES MILLIKEN: It may also have a soon-to-be Pac-10 school in the peer group. I'll have to change my approach, but the school that we compare to is in the same place. It just has to fly further to its games I think. [AGENCY 51]

SENATOR WIGHTMAN: But I was impressed to hear that our research funding has, I think you said, nearly tripled in the past ten years. [AGENCY 51]

JAMES MILLIKEN: Yeah. That's one of the great success stories. [AGENCY 51]

SENATOR WIGHTMAN: Now I know I talked to Chancellor Perlman at one time soon after we joined the Big Ten and, as I understand it, we are substantially lower on tuition

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than any other Big Ten school. Is that correct? [AGENCY 51]

JAMES MILLIKEN: That is my understanding. I know we're... [AGENCY 51]

SENATOR WIGHTMAN: We're less. [AGENCY 51]

JAMES MILLIKEN: ...I know we would be the lowest among all the Big Ten institutions. [AGENCY 51]

SENATOR WIGHTMAN: So that may be a little difficult to handle over a period of years as far as the financing that's going to be provided for those student fees. I don't want to put you on the spot of saying we may have to increase (inaudible). [AGENCY 51]

JAMES MILLIKEN: Well, you know, we don't...we don't generally peg our tuition increases to...I mean we aren't trying to be competitive at the highest levels there. Let me say it that way. [AGENCY 51]

SENATOR WIGHTMAN: Okay. [AGENCY 51]

JAMES MILLIKEN: So we want to continue to have a good value and we want to be able to do well in terms of affordability when we compare to our peers. There will be a number of places in the Big Ten where we do not rank as highly as we did in the Big Twelve, and I...research would be one of those. Even private giving, where we are among the leaders in the Big Twelve, we're among the leaders in the nation. I think, you know, it changes a little bit from year to year, but nationally for public universities, we're between 15th and 20th in the nation in terms of how the size of our endowment. In the Big Ten we would be second to the last. So among those 14 or 15 that are higher,... [AGENCY 51]

SENATOR WIGHTMAN: Most of them. [AGENCY 51]

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JAMES MILLIKEN: ...most of them are in the Big Ten. [AGENCY 51]

SENATOR WIGHTMAN: And... [AGENCY 51]

JAMES MILLIKEN: It's a great opportunity for us. As you know, it is the premier conference in the country in terms of academic excellence. Nothing compares in terms of the quality of those public institutions. [AGENCY 51]

SENATOR WIGHTMAN: Now you also talked about \$18 million I think we granted during the past year for...through the University Foundation for scholarships. Percentagewise, I suppose not nearly as much of that is need based, a lot of it is performance based through there, is it not, compared with the Pell Grant for example. [AGENCY 51]

JAMES MILLIKEN: You know, yeah, it is both. There are...there's a lot of private support that comes for need-based aid. You take the Buffett program, for instance, which has doubled almost each of the last several years that it's been in place. Went from about 250 students to about 500 at the university to about 1,000, and that has a significant financial need component. So there is private funding for that but, as you suggest, there's also from the foundation merit-based scholarship support. [AGENCY 51]

SENATOR WIGHTMAN: So all Nebraskans should be thankful to the success of Warren Buffett and Berkshire Hathaway, I assume. [AGENCY 51]

JAMES MILLIKEN: I think you could look across the university campus at the Buffett Early Childhood Institute, Mammel Hall, a number of buildings at the Medical Center and you would say, yes, we should be grateful for the success of Berkshire Hathaway. [AGENCY 51]

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SENATOR WIGHTMAN: Thank you, Mr. Buffett. Thank you. [AGENCY 51]

JAMES MILLIKEN: I thank him every time I see him. [AGENCY 51]

SENATOR HEIDEMANN: Senator Nordquist. [AGENCY 51]

SENATOR NORDQUIST: Thank you, Mr. Chairman. Thank you, President Milliken. You mentioned the...or maybe it was Chairman Whitehouse that mentioned the cuts to Pell Grants in the federal budget. Have you looked at other...and analyzed the impact of other budget cuts pending in the federal government, certainly in research areas, and the impact that that will have on campuses, certainly the Medical Center in health research, and how are you preparing for those reductions? [AGENCY 51]

JAMES MILLIKEN: Yeah. Well, as you know, it's uncertain now. The House has addressed this and put in place some pretty significant reductions for research agencies, for Pell Grants, over an \$800 reduction in the maximum Pell Grant level which is very significant for the university. I would say also the freeze in earmarks will have a significant impact. Regardless of what your position is, and I happen to think the earmarks to the University of Nebraska have been incredibly meaningful and have done very good work for the university. You know, the one example I alluded to earlier was the Agricultural Research Service building that was planned for the Innovation Campus, but there have been significant support provided through that for each of our campuses. So while we are looking at it and we are reading the material that comes out of Washington on what the impact is, at this stage we haven't, aside from financial aid which is pretty precise and we know immediately how that impacts our students, we haven't begun to estimate what the impact will be. [AGENCY 51]

SENATOR NORDQUIST: Okay. Another point you mentioned on Collegebound, about 6,000 students pay no tuition. Do we have an estimate, comparing that student population group to the general population, about the percentage of them that remain in

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Nebraska? Is there...do we...does that targeted population tend to stay around more, less, do we know? [AGENCY 51]

JAMES MILLIKEN: Let me make sure I understand. [AGENCY 51]

SENATOR NORDQUIST: Yeah. [AGENCY 51]

JAMES MILLIKEN: So the 6,000 students that I mentioned out of 50,000 who are receiving...who pay no tuition because of the Collegebound Nebraska, do we know whether students that go through that program tend to stay in Nebraska at greater or lower rates than the general population. The answer is, I don't know. [AGENCY 51]

SENATOR NORDQUIST: Okay. [AGENCY 51]

JAMES MILLIKEN: The program has not been in place that long. It would be difficult to... [AGENCY 51]

SENATOR NORDQUIST: To track that, sure. Sure. [AGENCY 51]

JAMES MILLIKEN: ...we wouldn't have a lot of data to look at. You know, I would say the answer...I'd be pretty certain the answer is yes, and I'll tell you why. The answer would be yes not because of the financial aid but the answer would be yes because of what we know nationally about migration of graduates. The students who tend to be in a state five years after graduation are those who...the greatest percentage of those who grew up there and went to college there. Collegebound Nebraska is only available for Nebraskans... [AGENCY 51]

SENATOR NORDQUIST: Sure. Uh-huh. [AGENCY 51]

JAMES MILLIKEN: ...and so, for that reason alone, I would be pretty confident in saying

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that the number of those graduates from the Collegebound Program that are here would be a greater percentage than the population at large. [AGENCY 51]

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

SENATOR HEIDEMANN: Senator Nelson. [AGENCY 51]

SENATOR NELSON: Thank you, Chairman Heidemann. And thank you, President Milliken, for coming and thank you for your testimony. It's very informative. I admire your ability to depart from the text a little bit and expand some of the information that we get. Several questions here: With regard to research... [AGENCY 51]

JAMES MILLIKEN: My staff cringes, though, whenever I do that,... [AGENCY 51]

SENATOR NELSON: Oh, is that right? (Laugh) [AGENCY 51]

JAMES MILLIKEN: ...so I want you to know it's at huge risk. [AGENCY 51]

SENATOR NELSON: It is risky, but we all have to take risks, don't we? With regard to the...you said we've been very successful in getting research funds and grants, what part of that total figure is the Med Center as far as compared with the rest of the campuses, if you know? [AGENCY 51]

JAMES MILLIKEN: Well, I would say that--oh, this is going to...this will be risky--that by far the greatest amount of research funding comes to UNL and UNMC. So of the \$260 million figure I mentioned, 90 percent of that would be to those two campuses and the UNL number is somewhat, not hugely, higher than the UNMC number. So they're both over \$100 million. [AGENCY 51]

SENATOR NELSON: Good. Good. Well, that's very good. Chairman Whitehouse

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mentioned long-distance learning as being a priority. I can understand additional revenue coming in but where are the cost savings in long-distance learning? [AGENCY 51]

JAMES MILLIKEN: Well, first of all, the cost savings are for Nebraskans or others who take the courses who may be place bound. I mean if you're not in Kearney, Omaha, or Lincoln and want to get a degree, we offer over 60 degree and certificate programs, including a bachelor's in business, a Ph.D. in education administration. So that's...the cost savings in the first I would say, and perhaps the most important, is to Nebraskans who are able to take advantage of a degree program. But what the chairman was referring to is a new business model and platform for distance education. Distance education over the Internet is labor intensive because it is not preparing a disk and sending it out. It is interactive, even though it's asynchronous. so I mean even though you're not on at the same time teaching over two-way communication, it is labor intensive for the faculty. And I know, I've taught on-line and spent more time with that than in the classroom. So that's not where the savings is, I will say that. But in Online Worldwide, our plan, our business model--which we spent a fair amount of time working on with the help of some people who have been very successful around the country, including our business consultant was the person who built the Penn State Worldwide, which is one of the top two or three on-line programs in the country for a public university--marketing, having one marketing platform for four campuses so that we now have a brand platform on-line world wide. We hope to create a loyalty to that and a fulfillment of our brand promise, which is that you get the same courses, the same faculty, the same high-quality university but you can do it on-line. So we hope to collapse the marketing expenses that were distributed all over the university previously, and I don't mean just one for each campus. I mean in departments, in individual programs within departments, people doing advertising, because they're entrepreneurial and we want to encourage that. But we want to also I think build a brand that...plus back office and support, software support and software platform that is the same, hardware that can be in the same place and not have to be replicated unnecessarily. So the

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business side, the back office side, the marketing costs, those kinds of things we hope can be streamlined and we can be more cost-effective with those... [AGENCY 51]

SENATOR NELSON: Okay. [AGENCY 51]

JAMES MILLIKEN: ...and still grow the enterprise. You know we grew, enrollment is 21 percent this year on-line, and we grew 30 percent the year before. So I believe the model is working and it's a great opportunity for us. [AGENCY 51]

SENATOR NELSON: Well, I'm sorry I missed your presentation last week on the Innovation Campus and... [AGENCY 51]

JAMES MILLIKEN: I hope you're feeling better. [AGENCY 51]

SENATOR NELSON: ...and maybe you answered a couple of questions that I have, but how...we've got the \$25 million gift in the budget. I notice here that, you know, with regard to the life sciences, state funds will be used to leverage the additional \$40 million. Do you anticipate...and let me ask you first, how long do you think it's going to take to fully develop the Innovation Campus? [AGENCY 51]

JAMES MILLIKEN: The entire project? [AGENCY 51]

SENATOR NELSON: Right. [AGENCY 51]

JAMES MILLIKEN: I wouldn't...I wouldn't even want to speculate on it. I mean I can look... [AGENCY 51]

SENATOR NELSON: It could last as long as beyond ten years do you think or...? [AGENCY 51]

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JAMES MILLIKEN: For the entire project? [AGENCY 51]

SENATOR NELSON: Yeah. [AGENCY 51]

JAMES MILLIKEN: Sure. [AGENCY 51]

SENATOR NELSON: Okay. [AGENCY 51]

JAMES MILLIKEN: Yeah. [AGENCY 51]

SENATOR NELSON: All right. [AGENCY 51]

JAMES MILLIKEN: But we're on phase one right now, which is about 40 acres.
[AGENCY 51]

SENATOR NELSON: Right. Okay. [AGENCY 51]

JAMES MILLIKEN: Yeah. [AGENCY 51]

SENATOR NELSON: And I think I read now with regard to the surroundings of the 4-H Building, the developer is going to do the infrastructure. [AGENCY 51]

JAMES MILLIKEN: Yes. [AGENCY 51]

SENATOR NELSON: That's part of it there. Do you think that will continue with the development that...with private developers? That I guess I'm getting to the point, are we going to have to have more state funds in the future to leverage some of these things?
[AGENCY 51]

JAMES MILLIKEN: Well, the infrastructure will be done, and one of the attractive things

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about this partnership is the infrastructure will be done by the developer and it's not related to the \$25 million investment that the state is proposing to make. [AGENCY 51]

SENATOR NELSON: All right. [AGENCY 51]

JAMES MILLIKEN: It will be done for phase one and the work is starting now on hiring an engineering firm, on working with the city on the necessary permitting and the TIF financing agreement. So the developer will invest, we estimate, \$14 million or \$15 million in that infrastructure for the phase one of Innovation Campus. The investment that the state is proposing to make will leverage the complete development of the 4-H Building and leverage the complete development of the first R&D facility on the campus. So when the Governor first visited with me about this, he thought, and I would have thought if I were in his shoes, that an appropriate investment for the state would be in the infrastructure to get the ball rolling here, that that's the first thing that has to be done. It is the first thing that has to be done. But what I told him was that we had a plan to do the infrastructure and it was part of the public-private approach to this, and what could really jump-start this is that building on that plan to do the infrastructure was to start work immediately on the first projects in the Innovation Campus phase one development plan. So I think the recommendation was appropriate and I think it allows us really to leapfrog way ahead of where we would have been otherwise. [AGENCY 51]

SENATOR NELSON: All right. Thank you very much. Thank you, Mr. Chairman.
[AGENCY 51]

SENATOR HEIDEMANN: Senator Conrad. [AGENCY 51]

SENATOR CONRAD: Thank you. A couple of questions just to follow up an dovetail off of the dialogue you had with Senator Nelson: If you could talk just a little bit about the timing of making the investment of \$25 million in this budget cycle. I'd hate to haggle with the good senator. I don't think it can fairly be classified as a gift at this point in time.

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Just in terms of how this sort of investment would enable us to take advantage economic conditions and to achieve great benefits because of the cost of building materials and supplies and any information you have in relation to the timing piece I think would be helpful to have in the record for people to think about. [AGENCY 51]

JAMES MILLIKEN: Yeah, I think that this is a great opportunity for us to move when, I think you made the case, that it may be advantageous in terms of the construction processes, but this provides us the opportunity to move ahead and to begin the work on, for instance, the first project, the 4-H Building this year. Now we would plan to move ahead and try to raise the necessary funds to do this but this...we know now that this will allow us to start work on this, this year, to begin the design and begin the work on the building within the calendar year. So it's hard to calculate precisely, but it provides an enormous boost in the time schedule that we've been looking at. [AGENCY 51]

SENATOR CONRAD: And with that boost comes the promise of jobs in the short term as well, is that a fair statement, in terms of the folks that are going to be needed to build those buildings and construct those projects? [AGENCY 51]

JAMES MILLIKEN: Right. Certainly there's activity that can begin almost immediately after the budget is passed and there are jobs that are affected by that positively. But I would say that the most important thing, the ultimate goal of Innovation Campus, is, as we've talked about this before, is not the expansion of the university. The goal is the creation of jobs, high-paying, high-quality jobs so that graduates of the University of Nebraska and other institutions will want to, will choose to stay in Nebraska to pursue those opportunities. And we're talking about thousands of jobs. So it's creation of jobs and creation of wealth, and I think that's the best reason to start as quickly as we can, because we're not going to have an impact on those jobs and on that wealth until there's activity on Innovation Campus, activity in those facilities. [AGENCY 51]

SENATOR CONRAD: Thank you. That's very helpful. Then just a final line of

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questioning: I think you may have heard Senator Mello's dialogue with Regent Whitehouse earlier, but it will come as no surprise to you that I'm going to go ahead and reiterate that question and not let you off the hook here before we have the opportunity to have this dialogue on the record. Of course, you're very familiar and sophisticated with the...or sophisticated to the budget process that we have in Nebraska and the university, make no mistake, is one of the most significant beneficiaries of General Funds that we have available. Is that a fair assessment? We have Medicaid, K-12 education, higher ed as a whole, which I think fairly utilize a great deal of our General Funds, is that right? [AGENCY 51]

JAMES MILLIKEN: Yes. [AGENCY 51]

SENATOR CONRAD: Okay. So you're familiar with the fact that there are proposals pending before the Legislature this session to divert a significant amount of dollars from those General Funds currently available to other projects for other priorities, most notably roads and infrastructure funding. Have you had a chance to visit with the Board of Regents or others on your leadership team about those potential implications and impacts to the university? [AGENCY 51]

JAMES MILLIKEN: We...actually, we have had briefings in general from the university's lobbyist about all of the legislation, I think, or at least most of it that we're able to ascertain has an impact on the university and its activities. And so there has been some general discussion about all of those bills. [AGENCY 51]

SENATOR CONRAD: At this stage, would you be concerned if that legislation were to be adopted by the Legislature and then, all of a sudden, higher education is in competition with not only Medicaid and critical human services and K-12 education but also roads and infrastructure funding? [AGENCY 51]

JAMES MILLIKEN: You're referring to a particular piece of legislation now... [AGENCY

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51]

SENATOR CONRAD: Right. [AGENCY 51]

JAMES MILLIKEN: ...which is... [AGENCY 51]

SENATOR CONRAD: It's LB84, would divert about \$125 million per year out of the General Fund over to roads funding. It captures the existing half-cent sales tax to accomplish that purpose. [AGENCY 51]

JAMES MILLIKEN: Okay. At this time, the university has not taken a position on it. We are aware of the need for investment in Nebraska in infrastructure in general and in our roads. It's part and parcel of Nebraska being competitive and being able to encourage the kind of growth in commercial activity that all of us support. But with regard to this particular piece of legislation, we have not taken a position at this time. We will continue. We know it's a proposal now that has come out of committee. I don't...if there's been significant floor discussion on it, I'm not aware of it. We will continue to watch with interest and to try to better understand how it will impact the university. You know, our general approach, not just this biennium but during the time I've been associated with the university, is to try to make the best case we can for what we think is an appropriate investment in higher education and particularly the university. And we hope that we're able to convince you and your colleagues that there will be a need for continuing support of the university and that it's one of the best investments that this body can make. [AGENCY 51]

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

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 51]

SENATOR HANSEN: Thank you. President Milliken, it's great to have you here. I want

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to switch gears just a little bit. UNK was trying to change their conference and I don't know if that was strictly for athletics, but I know Chancellor Kristensen said that they could save a lot of money in travel expenses. Did that conference go ahead and materialize or what's the status of that? [AGENCY 51]

JAMES MILLIKEN: They...yeah, I'm not quite sure what the status is today. They were proposing to move to the MIAA from the Rocky Mountain Conference. They got approval of the board to do that. I think they were invited to the conference and I'm not sure if there's any...I think it has happened and, as you suggest, the main savings would be travel costs because the Rocky Mountain Conference was in New Mexico and scattered all over the western part of the country. [AGENCY 51]

SENATOR HANSEN: Secondly would be the professor retirement plan that has been brought up. I don't know when you're going to start that or how that will affect, but what is the purpose of that? [AGENCY 51]

JAMES MILLIKEN: The purpose is, over the long term, budget savings and we have now implemented the program on two campuses. Started with UNL, implemented it at UNO recently. We are going to implement it very soon at UNK, may have already been kicked off, I may have forgotten that but anyway that's starting. And I know in recent discussion with Chancellor Maurer at the Medical Center, they are looking at it there to see how it would fit. They have a different mix of issues with clinical faculty there that it provides a layer of complexity that the other campuses may not have. Our estimate is that we are going to see significant savings from the University of Nebraska-Lincoln based on our experience with the program so far, and we expect the same from the other campuses. [AGENCY 51]

SENATOR HANSEN: And what are the parameters of that program, tenure? [AGENCY 51]

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JAMES MILLIKEN: Oh, you have to have a property right so you have to be tenured to be eligible for it; otherwise, state law wouldn't allow us to pay people to retire early. So you have a property right. You're at a certain...I think there is an age requirement of 62.5 or something like that. And then you sign an agreement which we are able to make a decision on whether we will accept your application for the program, and then you would separate after July 1 and there would be... [AGENCY 51]

SENATOR HANSEN: And what percent of their salary would be paid to them?
[AGENCY 51]

JAMES MILLIKEN: The salary, it's different in each campus. At UNL's it was a year's salary for retiring, for giving up your tenured property right and retiring early. At UNO there's a cap and I can't remember the cap but it was based on an average salary of those eligible. And at UNK I think the program more closely resembles UNL's. The savings is that we will...that senior faculty will retire and we will then make decisions about where they need to be replaced, depending...it's a changing mix of programs at the university, as you know, and so we may not need to replace all of them. In fact, part of the estimated savings is that we won't replace all, and those we will replace will often be younger faculty members at a lower salary rate who are just beginning their career.
[AGENCY 51]

SENATOR HANSEN: Will they go into like an emeritus status where they would have an office to go to in the university or anything like that maybe? [AGENCY 51]

JAMES MILLIKEN: Oh, I...you know... [AGENCY 51]

SENATOR HANSEN: If they're July 1 they're gone? [AGENCY 51]

JAMES MILLIKEN: Yeah. I don't know about that. Emeritus status doesn't necessarily mean that they will have an office. It's an honorific that is provided often for our faculty.

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That would depend on whether there were space needs and whether they were continuing to contribute to the university. I mean we do have some emeritus faculty who continue to write and do research and do work at the university. [AGENCY 51]

SENATOR HANSEN: Okay. And my last question would be when we started the LR542 process last year, in our original budget, we looked that up today and there was a proposed 10 percent, would have amounted to about \$49 million. So between not doing that one and the Innovation Park would be about a \$74 million swing for the university. And I don't know if you're aware of Senator Conrad, some of her questions about road funding and some things that we have in the future, in two years our Cash Reserve will be down to \$64 million, \$64 million, \$65 million. So I don't know if that's a question. It's certainly a comment that as the university I think you came through this part of the recession in pretty good shape. [AGENCY 51]

JAMES MILLIKEN: Yeah, I would like to comment on that,... [AGENCY 51]

SENATOR HANSEN: Yes. [AGENCY 51]

JAMES MILLIKEN: ...even if it's not a question. You know, I take your point. I don't think it's...it's not quite apples and apples to say that an estimated \$50 million reduction in our operating is related to a \$25 million one-time investment in facilities, and it is one-time, not ongoing, and so hard to substitute it for an ongoing commitment. The university has cut about I think \$68 million over the last decade. As I mentioned before, this would be the fourth and fifth year of essentially flat funding with this budget. I mentioned before we paid no salary increases in the current year and a minimal amount, provided 1.5 percent, for special purposes in the first year of the biennium. We've implemented a series of programs based on this committee's directive that we review expenditures and see how we could make reductions, and so we've done that I think pretty aggressively. These retirement plans are pretty big steps for an institution. They involve a degree of risk but I think we're seeing that they paid off. We've looked at a number of other areas,

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both on the academic side and on the business side where we could reduce expenditures, and I think we're doing a pretty good job of pursuing those. So I understand that this is a difficult fiscal environment and I think that the university is responding appropriately and reallocating and making reductions where appropriate so that we can continue to provide a very high-quality opportunity for more and more Nebraskans to get a university education and to do the kind of research that we've talked about today, tripling over the last ten years, often in areas that are critical in Nebraska like water and early childhood and ag entrepreneurship. So I think we have a good record on this and I'd just finish this comment by saying that I am grateful for the support of this committee and the recognition that higher education is one of the things that the state has a fundamental responsibility for. [AGENCY 51]

SENATOR HANSEN: Thank you. Thank you, Mr. Chairman. [AGENCY 51]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 51]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. One short question, President Milliken, and that is under this early retirement program have you decided what you were going to do on continued health insurance benefits for those early retirees?
[AGENCY 51]

JAMES MILLIKEN: It's not included. [AGENCY 51]

SENATOR WIGHTMAN: They would not be included. [AGENCY 51]

JAMES MILLIKEN: No. [AGENCY 51]

SENATOR WIGHTMAN: Okay. Because I know that can be a significant increase...
[AGENCY 51]

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JAMES MILLIKEN: Right, and that's the biggest variable in a lot of places that have tried to address that with a healthcare component, and so we have not done that. [AGENCY 51]

SENATOR WIGHTMAN: What looks like a savings could actually,... [AGENCY 51]

JAMES MILLIKEN: Correct. [AGENCY 51]

SENATOR WIGHTMAN: ...by the time you're paying double for health insurance, can all of a sudden be a deficit. [AGENCY 51]

JAMES MILLIKEN: We wanted an obligation that had certainty. [AGENCY 51]

SENATOR WIGHTMAN: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: I have to share a little bit of frustration that I have with the university system. We have a...it's going to turn out to be good. (Laughter) We have a small mineral project where I'm from, rare earth, and because of the foresight and the hard work of Matt Joeckel from the university system, this project is years ahead of where it could be and we'll be able to save millions of dollars in all the data that the university system has been able to provide to this company. It might not have even happened without the assistance from the university system. My frustration is there are success stories that the university has, like this one, across the state and I get frustrated the university system doesn't get this information out to the people and inform them, and it would make our jobs in Appropriations a whole lot easier selling the amount of money that we give to you. [AGENCY 51]

JAMES MILLIKEN: I just saw a great newspaper article about Matt and his work in southeastern Nebraska but I take your point and I welcome any help you can give me on promoting the great work done by the university. [AGENCY 51]

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SENATOR HEIDEMANN: I just...I look at...and since Innovation Campus and what they're focusing on and I look at, in my perspective and my priorities, I look at Curtis and I look North Platte, the Gudmundsen Ranch, I just look at everything that you do and the majority of the people of the state of Nebraska just don't realize the economic driver that you are. [AGENCY 51]

JAMES MILLIKEN: Well, I hope that the majority of the people of Nebraska do, but I will...I think we could always do a better job of communicating the good work that's done by our faculty and our staff and our graduates. [AGENCY 51]

SENATOR HEIDEMANN: Thank you. Seeing no further questions, thank you, J.B. [AGENCY 51]

JAMES MILLIKEN: Thank you. [AGENCY 51]

TONN OSTERGARD: Good afternoon, Mr. Chairman and members of the committee. My name is Tonn Ostergard, it's T-o-n-n, last name O-s-t-e-r-g-a-r-d, and I'm a Lincoln businessman. I'm the CEO of Crete Carrier Corporation headquartered in Lincoln and I serve as chairman of the Lincoln Chamber of Commerce this year as well as on the board of the Innovation Campus Development Corp. It's my pleasure this afternoon to offer the chamber's support of the University of Nebraska and the Governor's proposed \$25 million appropriation for Nebraska Innovation Campus. The Lincoln Chamber supports the budget of the university and applauds the efforts of university leaders that they've undertaken to ensure the university system is operated efficiently while remaining a competitive institution of excellence. We're excited about the move to the Big Ten Conference and view this as a clear signal of NU's competitive excellence. I'm particularly pleased to offer the Lincoln Chamber's support for the Governor's bold and strategic appropriation of \$25 million for Nebraska Innovation Campus. Now is the time to move forward and build on the momentum of NIC. As we have witnessed just last

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week with the announcement of the private developer partner, Nebraska Innovation Campus is attracting strong interest and it is interest backed by the willingness to commit private dollars. It is exciting to envision the statewide impacts that will benefit all Nebraskans for years to come with this one-time funding for capital needs of NIC. Innovation Campus has great potential to attract new business to Nebraska and create high-impact, new jobs. The focus on high-impact economic development has always been the vision of this new campus. The \$25 million in support allows Nebraska to take advantage of the tremendous resources represented by the talent of UNL's faculty and leverage new public-private business partnerships. Because our state under your leadership has been careful about spending, we are now poised to make this important investment. This is an opportunity to for Nebraska to take the lead in economic growth. This is an opportunity we must capitalize on now. I urge your support for the Governor's bold and strategic proposal for a \$25 million investment in NIC. It is an important statement about our vision for Nebraska's future. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Thank you for coming and testifying today. Are there any questions? Seeing none, thank you. [AGENCY 51]

TONN OSTERGARD: Great. Thank you. [AGENCY 51]

ALAN SVAJGR: Good afternoon, Chairman Heidemann, members of the committee. My name is Alan Svajgr, A-l-a-n, Svajgr, S-v-a-j-g-r. I come from Senator Wightman's district so I'll have to tell the truth today, that's for sure, John. I'm here today representing Ag Builders of Nebraska, the Nebraska Cattlemen, Nebraska Farm Bureau. Nebraska sits in the breadbasket of America with its natural resources of wind, land, and water for both food and energy production. Meeting the challenges of producing food to feed a global population is huge and we'll need to continue to advance in research and development to meet those goals. Nebraska is also situated to become the epicenter of beef production in the United States. It is important to Nebraska's ag economy that this land grant university, the University of Nebraska,

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receive adequate support to sustain the activities that are essential for agricultural production, such as I am in. In our operation, we're in cattle feeding, farming, ranching, and family ag banking. The research, that improves the productivity and profitability, as most of you know, both crops and livestock, including research on diseases, plants and animals, for water management, for optimum productivity, and we know we're going to need that in the future, and protection of our natural resources, and also in the area for food safety and food production. Development of new genetic strains of crops that are more sensitive to disease, to weather and other stresses, in the areas of monitoring weather conditions, such as climate change, drought, and the development of strategies for some drought mitigation. Areas of education, education to crop and livestock producers that brings the latest information of strategies out into the field through extension educators, who are highly valued by our Nebraska ag producers and their families. And lastly but not least, research into alternate energy sources, including our crop biofuels, algae fuels, wind energy that could all have a significant economic upside for Nebraska agriculture. The University of Nebraska is committed to creating new jobs in rural Nebraska. Initiatives that support our rural communities include: the Food Processing Center, which helps establish new food-based companies as well as market their products, even in international markets; as mentioned earlier, the Engler Agribusiness Entrepreneurship center, which in the future will help young people to get into businesses and stay in Nebraska; and there's excitement today at Curtis at NCTA with a 100 cow/100 acre, and, yes, the Combat Boots to Cowboy Boots Programs that help young people to get back to and stay and remain in agriculture Nebraska; also the Nebraska Business Development Center with offices throughout the state that provide guidance to new and growing businesses and assist in transferring these businesses within a family, develop marketing plans; and last but certainly not least, the all important 4-H Programs which thousands of young people in Nebraska participate in, in learning skills ranging from animal care to entrepreneurship. We've heard earlier the university's budget does not include additional funds for salary increases. We in agriculture believe that for our future it is important to be able to attract the best talent in the world. NU has not, as you heard, had salary increases in two years, which we feel is

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not sustainable over the long term to remain competitive. We certainly in agriculture need to attract and keep young people like, at IANR, like Dr. Ronnie Green, Steve Baenziger, and Ken Cassman, plus other researchers who have made such a positive difference in production in agriculture in our state. Today the Ag Builders of Nebraska, the Nebraska Cattlemen, the Nebraska Farm Bureau all strongly favor the proposed capital investment of the \$25 million to jump-start the development of Innovation Campus. These state appropriations, when linked with \$40 million in private support, will certainly be a good start to renovate the 4-H Building, construct the new life sciences facility. I closing my testimony, Nebraska's agriculture community is excited about the Nebraska Innovation Campus and its potential to greatly expand the reach and reputation of the University of Nebraska in what's now our global agricultural community. Certainly the themes of food, fuel, and water are all very important to every Nebraskan and especially to those of us in agriculture. We believe that Innovation Campus can and will play a significant role in the economic growth and job creation for the entire state of Nebraska, even out west, Tom. Thank you, Chairman Heidemann. [AGENCY 51]

SENATOR HEIDEMANN: Thank you for coming in and testifying today. Are there any questions? Senator Hansen. [AGENCY 51]

SENATOR HANSEN: Thank you. Mr. Svajgr, it's great to see you again. [AGENCY 51]

ALAN SVAJGR: Yes, Tom. [AGENCY 51]

SENATOR HANSEN: You're from Dawson County. Can you explain to the committee how Monsanto Company does their research in Gothenburg and maybe a connection to the university, how those two go together? [AGENCY 51]

ALAN SVAJGR: Yeah, I think I can, although they are strictly...Monsanto, obviously, is an international company. They're working in drought mitigation to work with, if you want

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to say, really the minimum amounts, not only in selection and breeding of new crops that can withstand droughts but what is the minimum amount of water we can use with some of the varieties we have today with only minor changes in genetic composition. So that's really what they're all about. And there's a large professional staff out there but, secondly, a large group where producers like myself can go in and really learn and study from what they do there. So they welcome people to come out there. [AGENCY 51]

SENATOR HANSEN: Is there university involvement out there or is that a company that should move to Innovation Park? [AGENCY 51]

ALAN SVAJGR: To my best knowledge, there is not university involvement. John, do you have any...Senator, do you know? I don't believe there is, as far as I know. [AGENCY 51]

SENATOR WIGHTMAN: I'm not aware that there is. [AGENCY 51]

ALAN SVAJGR: There's a lot of coordination with the university but I do not believe that they have any input or any...they don't have a horse in that race, as far as I know. [AGENCY 51]

SENATOR HANSEN: Okay. Do they actually do the genetic modification there and then put that technology in the field? [AGENCY 51]

ALAN SVAJGR: They really don't. That's...actually, it's more of a demonstration area is what they have there right now. [AGENCY 51]

SENATOR HANSEN: Okay. [AGENCY 51]

ALAN SVAJGR: Uh-huh. [AGENCY 51]

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SENATOR HANSEN: Thank you. [AGENCY 51]

ALAN SVAJGR: Your actual scientists are somewhere in Europe most of the time.
[AGENCY 51]

SENATOR HEIDEMANN: Senator Wightman for a question. [AGENCY 51]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you for being here, Al.
[AGENCY 51]

ALAN SVAJGR: Thank you, John. [AGENCY 51]

SENATOR WIGHTMAN: It's been a great day for District 36, with yourself here to testify
and Tonn Ostergard, who... [AGENCY 51]

ALAN SVAJGR: (Laugh) Right. [AGENCY 51]

SENATOR WIGHTMAN: ...has about half to two-thirds of his relatives out in Dawson
County as well. But a little bit with regard to the Monsanto plant, I think the reason
probably they're out in that area is that's right at the transitional area between the Great
Plains and the ag base... [AGENCY 51]

ALAN SVAJGR: Uh-huh. [AGENCY 51]

SENATOR WIGHTMAN: ...that you see located generally to the east of there. And I
realize that there's a lot of ag base to the west of there, too, but their idea was to take, I
think, an area that was right on the edge of that in an attempt to develop strains of corn
that...and all crops that could withstand drought or drought resistant. And so it has been
a great thing for Dawson County, but as to whether it should move to Innovation

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Campus, I think once they're there they wanted to be there for the reason that their location made it ideal for them to work on the genetics. [AGENCY 51]

ALAN SVAJGR: Right. [AGENCY 51]

SENATOR WIGHTMAN: Now whether or not they actually do the genetic portion of it there, but they're doing all the testing out there. [AGENCY 51]

ALAN SVAJGR: That's exactly right. As what I've seen there when I've been there is they...it's more the place where they will actually take the genetic crosses or new things they have and, you're right, we're dry enough out there most years to where they can do some drought testing. [AGENCY 51]

SENATOR WIGHTMAN: They've had somewhat unfortunate portions during the last few years because there hasn't been...they say there hasn't been any... [AGENCY 51]

ALAN SVAJGR: (Laugh) Right. [AGENCY 51]

SENATOR WIGHTMAN: ...dryland crops out there because there's been enough rain that basically there's been no...little existence for dryland crops. But I think it is a great location for them. And the other thing it does, and you might not have met on this, it's brought in scientists from...or particularly ag scientists from around the world really I think, from what I understand, from many foreign countries that have come in to see what they're doing there. And have you...can you comment on that? [AGENCY 51]

ALAN SVAJGR: I have not been involved with any of the scientists that are out there. Most of the people out there are not Ph.D. people, they're more B.S. and master's people that are more the people that do the field work and carry on the seminars and do those kind of things. So they hold a whole lot of those things there. But as far as there's research people there from time to time when they're planting the plots and so forth.

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[AGENCY 51]

SENATOR WIGHTMAN: The B.S. refers to Bachelor of Science, I assume. (Laughter)
[AGENCY 51]

ALAN SVAJGR: Well, unless you're in a feedlot like me. (Laugh) [AGENCY 51]

SENATOR WIGHTMAN: Thank you, Al. [AGENCY 51]

ALAN SVAJGR: You bet. [AGENCY 51]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [AGENCY 51]

ALAN SVAJGR: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: (Exhibits 6, 7, and 8) At this time, I want to put into record that we have three letters of support, from the Omaha Chamber, the ASUN, and the city of Lincoln, for the \$25 million for Innovation Campus. Anybody else wishing to testify on this agency? Come on up. [AGENCY 51]

VIRGINIA TILDEN: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Welcome. [AGENCY 51]

VIRGINIA TILDEN: (Exhibit 9) Thank you. Senator Heidemann and members of the Appropriations Committee, my name is Virginia Tilden, Virginia like the state, V-i-r-g-i-n-i-a, Tilden, T-i-l-d-e-n. I'm dean of the College of Nursing at the University of Nebraska Medical Center and I speak today at the invitation of my president, President Milliken, with respect to the university's request for a new facility for the College of Nursing's Lincoln division. As you have heard, this facility is a high priority for the

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president and the NU Board of Regents. There are several key issues that make a new facility in Lincoln for nursing education urgent. Since 1974, when UNMC opened its Lincoln division, it has been hampered by inadequate facilities. It was initially housed in two converted dorms on the UNL campus that were never suited to educating health professionals. Eventually, deferred maintenance made this environment really unbearable for faculty and students. For example, the air cooling system was window-based units which rattled and roared in the summer, making it impossible to teach chest sounds and bowel sounds to the nursing students. In 2005, UNMC leased space in a commercial building in downtown Lincoln. The college filled the space on occupancy and there has been no room for growth. This lease expires in 2012. Meanwhile, the college turns away 60 percent of qualified applicants at the Lincoln division. The average admitting GPA is 3.7, which is an indication of the caliber of applicants. The Lincoln division is the first choice of applicants, more frequently than other campuses because of its collegiate environment or at least it's promise of a collegiate environment. But to the surprise of students and often their parents, it is in downtown, a commercial environment, downtown Lincoln. Of the 213 bachelor of science in nursing students currently enrolled, only half are from the Lincoln area and 25 percent are from greater Nebraska. Thus, the Lincoln division serves the entire state. And to help you finish that math, about 13 percent are from the Omaha area, about 12 percent are nonresident, non-Nebraska students. Overcrowding of the current space impacts teaching and learning and I'm going to refer you to the last three pages of my handout where you see photos. The first two photos, Exhibits 1 and 2, are of our largest classroom, which is 1,160 square foot. There are 72 students and 1 faculty in this room, which calculates to 16 square foot per person. The standard classroom in modern clinical education classrooms on the Omaha campus is 25 square foot per person. Exhibit 3 is a photo of students in this same room working on the floor in small groups to solve a clinical problem. Recently, we revamped our basic nursing education and it is one of the most cutting-edge in the country. Students are active learners and every lecture is punctuated by small group work like this where the professor has the students pull around into a small group to solve a clinical hypothetical problem, typically to write

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the solution on a poster or on a PowerPoint presentation. Exhibit 4 is a photo of a hallway where students are waiting to use other rooms. The computer lab and the simulation lab are particularly small compared to need. Both areas are vital for nursing education but in this building are grossly inadequate. A comment now about the nursing shortage in Nebraska. The Nebraska Department of Labor predicts that the state will be short by almost 4,000 nurses by 2020, as President Milliken mentioned. Nurses are the lifeblood of health facilities, such as hospitals and nursing homes. Without their 24/7 presence, beds close and communities suffer. And nurses are main economic engine for communities, keeping young families in local environments. Last November, as I visited Mayor Beutler here in Lincoln, I checked the Web site of the Nebraska Department of Labor. There were 154 open RN jobs in Lancaster County alone on that November 3 date. The cause of the nursing shortage is not a lack of applicants but a shortage of faculty and facilities. The shortage of faculty puts a squeeze on the pipeline of new nurses. As the largest school of nursing in the state, UNMC, I believe, has a special obligation to address this faculty problem. With its graduate nursing programs, the College of Nursing is the major source of future nurse faculty for all of the other 14 nursing schools in the state. The Lincoln division is the major supplier of faculty for other nursing schools in the Lincoln area. And finally, with a new facility we expect to expand enrollment by 64 more students a year. The emphasis in the facility will be on larger classrooms and high-tech learning labs. The latter are expected in the future to replace 50 percent of the demand on clinical agencies for training sites. In closing, I want to thank the Appropriations Committee for its past support of the UNMC College of Nursing. Your approval of a division of the college in Norfolk, Nebraska, reflected your concern for the growing nursing shortage in the state. I have committed to President Milliken, as he said, three major initiatives of the college that will reduce Nebraska's 2020 nursing shortage by about 1,000 additional nurses--a very significant dent relative to the dent that other smaller nursing programs can make. These three initiatives are the new division in Norfolk; a new, privately funded facility in Omaha; and a new facility in Lincoln. The first two initiatives have been accomplished, but we are only two-thirds good on our promise for the state of Nebraska. To deliver the nurses the state

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deserves, I ask for your support for a new facility for the College of Nursing's Lincoln division. Thank you very much and I welcome your questions. [AGENCY 51]

SENATOR HARMS: Thank you for your testimony. Senator Hansen. [AGENCY 51]

SENATOR HANSEN: Thank you. It's good to have you here today. [AGENCY 51]

VIRGINIA TILDEN: Thank you. [AGENCY 51]

SENATOR HANSEN: I have some questions about the nursing facility here in Lincoln and refresh my memory, if you would, please, the size of the nursing program at UNO and at UNMC, if you could. [AGENCY 51]

VIRGINIA TILDEN: The nursing program is UNMC. There is no nursing program at UNO. [AGENCY 51]

SENATOR HANSEN: None. Okay. [AGENCY 51]

VIRGINIA TILDEN: It is a UNMC program. It's located...it has five locations across the state so we have the major campus in Omaha and then smaller campuses but still significant in size in Lincoln, Kearney, Scottsbluff, and our newest campus in Norfolk. We enroll...this year our enrollment is 1,148 students. We graduate about 380 students a year. [AGENCY 51]

SENATOR HANSEN: So 1,148 students... [AGENCY 51]

VIRGINIA TILDEN: Across these five campuses. [AGENCY 51]

SENATOR HANSEN: In the same...as all seniors or that's all grades? [AGENCY 51]

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VIRGINIA TILDEN: That's spread across. Thank you for that question. It's spread across several programs. The initial entry program is at the Bachelor of Science level and that is our largest program. The Master's of Science is the next available program. That's a graduate program. And then the Ph.D. is the research degree. So we offer all three of those programs at any campus in the state. A student can be at any of the five campuses and be enrolled in the bachelor's, the master's, or the Ph.D. program.
[AGENCY 51]

SENATOR HANSEN: Okay. And it was either Regent Whitehouse or President Milliken was saying that Lincoln is having a hard time getting private funding for their share of the Lincoln facility. Do you have any reason why that would be? [AGENCY 51]

VIRGINIA TILDEN: I can only speculate and comment that, although overall we've been very successful in the NU capital campaign, we find that the generous donors in the Omaha area are reluctant to give to a facility in Lincoln, the generous donors of the Lincoln are somewhat reluctant to give to a UNMC project. [AGENCY 51]

SENATOR HANSEN: I would comment that the community of North Platte and the Mid-Plains Community area, which goes from South Dakota to Kansas, has raised \$7 million of private funds locally and, combined with those \$2 million, are going to start a new nursing program at our community college. [AGENCY 51]

VIRGINIA TILDEN: Wonderful. [AGENCY 51]

SENATOR HANSEN: So we have a need there and we're trying to fill it. [AGENCY 51]

VIRGINIA TILDEN: Yes. [AGENCY 51]

SENATOR HANSEN: This is a...even, you know, 2020 is still a ways off, with the number of nursing programs there are in the state, do you have any promise of filling

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that without a Lincoln facility? [AGENCY 51]

VIRGINIA TILDEN: Well, the major issue is the lack of faculty. The average age of faculty is 55 we have, so we have a huge age of faculty retirements coming, and UNMC is the major provider of the faculty, the faculty work force. So without strength of UNMC in educating the next generation of faculty, every program in nursing in this state is going to be in jeopardy. [AGENCY 51]

SENATOR HANSEN: How many RHOP programs are there in the state. [AGENCY 51]

VIRGINIA TILDEN: I can't answer that. Do you mean in nursing or... [AGENCY 51]

SENATOR HANSEN: Yes, in nursing. [AGENCY 51]

VIRGINIA TILDEN: We... [AGENCY 51]

SENATOR HANSEN: There's one in Chadron. [AGENCY 51]

VIRGINIA TILDEN: I would have to send you specific information about that. [AGENCY 51]

SENATOR HANSEN: Okay. All right. [AGENCY 51]

VIRGINIA TILDEN: I'm sorry, I don't have that readily available. [AGENCY 51]

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

VIRGINIA TILDEN: We do take many rural students. [AGENCY 51]

SENATOR HARMS: Thank you, Senator Hansen. Senator Nelson. [AGENCY 51]

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SENATOR NELSON: Thank you, Mr. Chairman, and thank you, Dean Tilden, for coming today. I'm looking at the first page of your testimony, at the last line there referring to BSN students. That's Bachelor of Science in Nursing? [AGENCY 51]

VIRGINIA TILDEN: That's right. [AGENCY 51]

SENATOR NELSON: Is that a two-year or four-year program? [AGENCY 51]

VIRGINIA TILDEN: It's a four-year university degree to the bachelor's. The student takes the first two years at any accredited college, because they are general arts and sciences courses. When they come to us, they are juniors, and so we provide the last two years of their bachelor's program. [AGENCY 51]

SENATOR NELSON: All right. Okay. So at 213 students, is spread over two years, is that correct, about 100 or so in each class? [AGENCY 51]

VIRGINIA TILDEN: That's correct. [AGENCY 51]

SENATOR NELSON: So if you're turning away 60 percent of qualified applicants then you're turning away another 50 or 60. Would that be about right? [AGENCY 51]

VIRGINIA TILDEN: Sounds about right. [AGENCY 51]

SENATOR NELSON: And my question is where do they go, those that you have to turn...? [AGENCY 51]

VIRGINIA TILDEN: Well, some eventually get in to us. Sometimes their GPA is not competitive. As I said, the average GPA is 3.7. It's a very high GPA. We counsel them often to take more college credits and bring their GPA up, and they reapply the next

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year and may get in. There are other schools of nursing that they apply to and go, or they may leave the state or change career plans. [AGENCY 51]

SENATOR NELSON: Are there other nursing schools that they then apply to? I mean you would be their first choice probably but... [AGENCY 51]

VIRGINIA TILDEN: We like to think so. [AGENCY 51]

SENATOR NELSON: You'd like to think they would get it. You mentioned that donors in Lincoln are reluctant to donate to a UNMC program. Why would that be? [AGENCY 51]

VIRGINIA TILDEN: You know, I'm not sure that I can comment. That is something that our foundation has commented to be and I don't feel expert in understanding the donor community. I'm really passing on to you what I have learned from our foundation. [AGENCY 51]

SENATOR NELSON: Okay. All right. But...so those donors in Lincoln might have other priorities other than a nursing school, and I assume there must be other nursing schools in the Lincoln area. [AGENCY 51]

VIRGINIA TILDEN: There are other nursing schools, yes. [AGENCY 51]

SENATOR NELSON: And are they fully...have full admissions or... [AGENCY 51]

VIRGINIA TILDEN: Yes, they turn away students as well. They're smaller than we are. They have the same worry about the future faculty. And as I mentioned, the major squeeze on the pipeline of expanding enrollment is faculty and facilities. So each school of nursing in this state struggles with both of those factors. [AGENCY 51]

SENATOR NELSON: All right. Thank you very much. [AGENCY 51]

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SENATOR HARMS: Thank you, Senator Nelson. Do we have any other questions for Dean Tilden? Thank you very much for your testimony. [AGENCY 51]

VIRGINIA TILDEN: Thank you very much. [AGENCY 51]

DON WESELY: Senator Harms, members of the Appropriations Committee, for the record, I'm Don Wesely, W-e-s-e-l-y, registered lobbyist on behalf of the Nebraska Nurses Association. And from the discussion, clearly you all recognize that there is a shortage of nurses across the state, that there's a problem that needs to be addressed, that this proposal for a new nursing college in Lincoln will help address it. I also want to point out that I have family in Dawson County and so I'm glad to add to the list of testifiers with connections to Senator Wightman's district. And, Senator Hansen, I thought you made an excellent point about fund-raising in communities. I know in Norfolk I was representing Norfolk when they went forward and raised an amazing amount of money in a very short amount of time for their project. And this Lincoln project is unique, as was described, with some of the fund-raising barriers that are hard to explain. Particularly, it looks like there's some difference of priorities in terms of how we reach this figure, but I can also tell you, Mayor Beutler has been advised of this and there is a community interest. If the committee will go forward and make a commitment on this project, I think that the city of Lincoln and the community would rally behind it, but right now that hasn't happened yet. So I think that is a possibility should the committee go forward. And again, the Nebraska Nurses Association is very supportive of this and would like to lend their voice in support. [AGENCY 51]

SENATOR HARMS: Do we have any questions for Mr. Wesely? [AGENCY 51]

SENATOR NELSON: Just one question. [AGENCY 51]

SENATOR HARMS: Okay. [AGENCY 51]

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SENATOR NELSON: What is the commitment that we would need to make, in your estimation? [AGENCY 51]

DON WESELY: Well, clearly, there's not the money for this large amount but I know that there's some discussion about at least moving forward in some degree, and that show of commitment, maybe phasing in, or some time line would send the message that this is seriously going to happen, and then some work can be done to start moving with some partnerships that right now are uncertain. [AGENCY 51]

SENATOR NELSON: Thank you, Mr. Wesely. [AGENCY 51]

SENATOR HARMS: Thank you, Senator Nelson. Are there any other questions? Thank you for your testimony. [AGENCY 51]

DON WESELY: Thanks. [AGENCY 51]

SENATOR HARMS: How many more are going to speak on behalf of Agency 51? Would you show your hands? Okay, thank you. [AGENCY 51]

BEN STEFFEN: Good afternoon, Mr. Chairman and members of the Appropriations Committee. My name is Ben Steffen. I'm from Humboldt, Nebraska. I operate a farm and a dairy in southeast Nebraska, Richardson County. I'm here today representing the Nebraska Association of County Extension Boards, and I have twice served as president of this organization and sit on the board of directors at this time. The Nebraska Association of County Extension Boards represents the 71 extension boards that serve every county in Nebraska. Local extension board members are appointed by county commissioners and are charged with the responsibility of working with the local community and the University of Nebraska to bring local input to the extension program and to the university and to communicate to our local communities the benefits and

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opportunities that flow from the university to our local communities. Today, I offer our support from our organization for the University of Nebraska's budget, and I would like to make three points. First, I would like to thank this committee for your commitment, your hard work, and your leadership. Thank you for your efforts of preserving higher education and the University of Nebraska during this challenging time. Secondly, we would like to highlight the value Nebraskans from across this state place on the impact of the University of Nebraska Extension and the Institute of Agriculture and Natural Resources. For example, the 4-H Program impacts one out of three age-eligible youth with curriculum that's aimed squarely at preparing them for the twenty-first century workplace with curriculum in science, engineering, and technology. The Foods and Nutrition Education Program trains limited resource families on how best to stretch their budget and to serve healthy, nutritious meals. The Crop Management Diagnostic Clinics deliver the latest research in education to producers and to industry leaders, and the participants in that program have estimated the impact at \$36 million annually in savings to their operations. Extension has also partnered with the Nebraska Association of County Officials to offer leadership training for county commissioners, supervisors, and elected officials. Recently, a \$7 million grant was awarded by the Department of Defense to the Extension to work in the area of childcare education with military families. This list could go on. Finally, great emphasis has been placed on the idea that basic research in the laboratory will provide innovations for the future of this state. I'm pleased to note, and perhaps this would address some of Senator Nelson's questions, I'm pleased to note that the Institute of Ag and Natural Resources leads the University of Nebraska-Lincoln with over \$71 million in grants for research in '09 and '10, over \$71 million in the Institute of Ag and Natural Resources, and that is the leading group within the University of Nebraska-Lincoln. Of that \$71 million, Extension brought in over \$22 million in the last year--the third largest percentage in terms of all those grants in UNL. But please remember that the innovations and progress will come most quickly for our state when the research in the lab is connected with the real world. In fact, the applied research and teaching in Extension and the institute does just that--connecting real-world situations, real-world challenges for families and communities and industries

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with the latest information and education from the university. For most Nebraskans, Extension from the Institute of Agriculture and Natural Resources is a conduit through which the University of Nebraska impacts our families, communities, small businesses, and industries. Again, we offer our support for the University of Nebraska's budget request, and on behalf of the Nebraska Association of County Extension Boards, thank you again for your leadership and your service. [AGENCY 51]

SENATOR HEIDEMANN: Thanks for coming in and testifying today. Are there any questions? Seeing none, thank you. [AGENCY 51]

BEN STEFFEN: Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 51? [AGENCY 51]

MIKE GROENE: (Inaudible) opponents? [AGENCY 51]

SENATOR HEIDEMANN: We're just taking testimony. [AGENCY 51]

MIKE GROENE: You mean I could have jumped in line? (Laugh) [AGENCY 51]

SENATOR HEIDEMANN: Welcome. [AGENCY 51]

MIKE GROENE: Hello, Senator Heidemann and the rest of the committee. Senator Nelson, I'm sorry I called you Senator Hansen earlier. I had him on my mind. My name is Mike Groene, M-i-k-e G-r-o-e-n-e. I'm chairman of the Western Nebraska Taxpayers Association. We are in North Platte, Nebraska, is our headquarters. I'm here to put a little common sense in and bring it down from a little level of what the university is all about in its funding. The university consumes nearly 16 percent of the state's budget. I believe it sends the wrong message to the average Nebraskan to say that we have a

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privileged class of individuals as, was stated earlier, 80 percent of the funds go to wages. We have a privileged organization that doesn't have to share in the cuts that the rest of the state has to. You've taken money from the counties, the cities, and the NRDs, which I happen to agree with. Local government is best without interference from the state. But in turn, you turn around and give \$25 million to the University of Nebraska. There are probably more...I'm sure this is true, there's more individuals making six figures, over \$100,000, at the University of Nebraska than there is in the entire state government. You could probably throw in most of the local governments also. To imply that we should be raising, not cutting, expenditures so these individuals can get raises flies in the face of common sense. I, myself, working free enterprise, I work for a commission. I've taken a cut the last two years. I'm not complaining. I still make a very good living. But that's free enterprise. We expect these folks to create the next generation, teach the next generation of free-enterprise individuals. Shouldn't they have some practical experience about the hard times of an economic turndown just like we do in free enterprise? I heard a lot of comments from taxpayers on this \$8.5 million the University of Nebraska gave to 79 individuals to retire early at the age of 62. That's ludicrous. Free enterprise, you get laid off. Free enterprise, you have unemployment benefits. What is this with a privileged class of individuals with tenure who take property rights to a government job, as the president of the college said? Things need to change in this country. We see what's going on in Wisconsin. It needs to change. We have a junior college out in North Platte. Young individuals graduate from there; the average pay is \$50,000, \$55,000 at the college, at the junior college. That's reasonable. It's less than what most high schools teachers make. And I also disagree that somehow this Keynesian economic theory that economic development comes through government interference or a university is crazy. I work in agriculture, been all my life, in Columbus, Nebraska; Valley, Nebraska; Deshler, Nebraska; Scottsbluff, Nebraska. Individuals created center-pivot irrigation--revolution agriculture, nothing to do with the university system. In Lexington, Nebraska, which is a competitor of mine, Orthman manufacturing has come out with a new tillage practice that has revolutionized water management in irrigated fields of western Nebraska. You don't hear much about it. University doesn't

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even do any research on it but ask any large farmer. Ask Senator Schilz from Ogallala about strip till and what it's done for agriculture, what's it's done...but it's not...it's come from the free-enterprise system. Ethanol came through the free-enterprise system. Our country is based and is great because of the free-enterprise system. I refuse to believe that if you cut the budget of the University of Nebraska free enterprise will continue to not increase in this state. It will and it always has. Also, UNL has one of the lowest, which has been...lowest tuition rates in the Big Twelve. It probably will be the lowest in the Big Ten. Doesn't education in Nebraska have a value? Shouldn't the person who owns it, shouldn't they be the one that pays for it? We have the highest dropout rate, one of the highest retention rates of students, too. It goes hand in hand. There's too many of them going to the university for a college experience instead of purchasing an education. So anyway, I think the university should take a cut. They should take part in what the rest of the state is doing, agencies is doing, and they need to take a cut too. They have room to improve. On another note, on the \$25 million that the Governor has proposed, donation to the...of taxpayers' money from the Reserve Fund, that's going to take our Reserve Fund down to \$62 million. Back in the One Hundredth Legislative Session in 2008, the taxpayers were told and promised that the \$5 million in state funds that was then given for the transfer of the State Fair land to the university would be the only cost to state taxpayers. That was only two years ago. I hope those senators that were involved in the session then remember that. You promised that that would be the end of it. The university employs one of the best earmark salesman in the country--Vice Chancellor for Research and Economic Development Prem Paul--but lately he ran into a tea party that he wasn't invited to and the United States Senate or Congress has said the end of earmarks for right now. We were told that Innovation Park would be developed and paid for by private enterprise and private philanthropy. Understand one of the owners of Valley Irrigation donated, what, \$50 million. That's what it's all about. I heard about Mr. Buffett; I hope he donates a whole bunch more. But the point is we were told that this was not going to involve state funds, that it would be paid for on its own, and I think you're rushing to judgment. You're in a panic situation. When did they get turned down by the earmarks, three months ago, two months ago? Give Mr. Paul a

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chance to go out and raise the money. He's a good salesman. I hope he doesn't spend any time in your offices because (laugh) he is a good salesman. But he can go out, raise that money. Why panic? Why put \$25 million in it? That's without asking the university to go raise it. That's what they told us they were going to do. There's no panic situation here. There's none. To take, for example, \$44 million from local governments, which I agree with, I like local control, in state aid to the NRDs, to the counties, to the cities, and then to turn around, take that out of the rural areas, that kind of money, and to turn around and give \$25 million to the city of Lincoln for economic development...because that's what it is. Those construction jobs will be in Lincoln. Those jobs will be in Lincoln. And quite frankly, if my granddaughter, who is very bright, came to the University of Nebraska, I'd like her to move back to North Platte. It doesn't help me that she gets a job in Lincoln, Nebraska. It does not help western Nebraska that jobs are in Lincoln, Nebraska. Economic development for the city of Lincoln is what this is all about. Build something in North Platte. We'd gladly take \$25 million of economic development, wouldn't we? Wouldn't we, Tom? [AGENCY 51]

SENATOR HANSEN: Yes. [AGENCY 51]

MIKE GROENE: Lexington would probably use some of it, too. But you took that money from...you told us there was a crisis and you took \$44 million from local governments and turn around and create this magical \$25 million transfer for the city of Lincoln? That's wrong. But I would appreciate if this committee and the Unicameral would sit back. This is not a panic situation. Free enterprise is doing just fine. Agriculture is doing just fine--\$6, \$8, \$9 a bushel corn. They mentioned Monsanto, and that is all private. Monsanto has probably done more for genetics of crops and done more for the enhancement of yields than any company in the world, and they're not doing it with any help from the University of Nebraska. So in closing, I would really appreciate if you folks would take a hard look and take a step back before you start throwing \$25 million around. [AGENCY 51]

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SENATOR HEIDEMANN: I think the University of Nebraska actually partners with Monsanto, if I remember right. [AGENCY 51]

MIKE GROENE: I haven't seen any evidence of it. I've been out there at a water conference. [AGENCY 51]

SENATOR HEIDEMANN: They actually...I'm positive they partner with the university on certain projects. I can't name specific projects right now. I also need to go back to 2008 because I was part of that discussion and I threw out a caution to the body at that time that this was just the beginning. If the body at this time...at that time wanted to go down this road, which I had caution, I had concerns about myself, I will say, but I told them if they went down this path that it was going to be public and private partnership. And at that time they was talking about a third and two-thirds, if I remember right. And I told them that it was going to cost some money and, as Appropriations Chair, I felt that was appropriate. So I think there is, if you would go back to the transcripts, some type of track record that there was going to have to be some public money put into this. You had mentioned ethanol also. I just wanted to comment that I'm a huge supporter of ethanol but the state of Nebraska has put in millions through the EPIC Fund to support ethanol. [AGENCY 51]

MIKE GROENE: That's not the university, though. But I would like to compliment you, Senator Heidemann, because I've read in the paper that you, at least, are telling the Governor we need to pay for this \$25 million, not draw down the...you have come up with ideas, and that's fine. Take it from someplace else but don't draw down the Reserve Fund to \$62 million. [AGENCY 51]

SENATOR HEIDEMANN: Senator Harms. [AGENCY 51]

SENATOR HARMS: Thank you for your testimony. I just wanted to make sure you understand that \$900 million does not mean everything is fine, okay? Secondly, the

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Innovative Campus for the university is our only...one of our only few bright spots in this economy, and if you think that we can...if you believe that all the jobs will be here in Lincoln, this is not an economic development project for Lincoln, Nebraska. It's for the entire state of Nebraska. If you bring in a company where the University of Nebraska does the research and they want to have spin-off companies, those spin-off companies do not have to be in Lincoln, Nebraska. They can be in North Platte. They can be in Scottsbluff. They can be in any place. And I want you to understand that I believe very strongly that this campus is the hopes for us to begin to bring the appropriate research to attract companies here so we can expand it. For every dollar that we can put into this program, we'll find tax relief on the other side. And I think that there's a time comes where you have, in a crisis like we have today, there is a time that comes forward that you have to make some investments. If you don't make the investment then that \$900 million gets worse. And the other side I think that's important to understand, that without the University of Nebraska being strong financially and being able to do the research that we need, they're providing an upper level of education that without that education this state would suffer tremendously. And this university has been cut at least three years in a row. We've held those people almost to very little increases. They have a record enrollment. They have great opportunities to lead us out of an economic crisis and this is not the time for us to be cutting back. This is a time for us to move forward. And whether you like whether or not we have moved dollars around, I apologize for that, but we're trying to move this economy forward, and without the university being strong, without the university doing the research, without the Innovative Campus, we will not be able to accomplish that task. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: Senator... [AGENCY 51]

MIKE GROENE: Could I reply? [AGENCY 51]

SENATOR HEIDEMANN: Briefly. [AGENCY 51]

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MIKE GROENE: I said our economy is improving. Corn is 6, 7 bucks, you know that, wheat, 9, 10 bucks. Our economy is improving and not to panic to think the university is going to bring us out, one institution is going to bring us out of the rest of the recession. I observe things. Massachusetts probably has one of the biggest research college system in the United States; they are fiscally bankrupt. California is another one that has all this great grandeur of relying on education and research; they are broke. North Carolina, where Mr. Milliken came from, their economy isn't any better than ours and they have a research...an innovative campus that he started. To imply that somehow you do this project and it's the answer, there's no history. There's no facts to back it up. That is my point. Am I against Innovative Campus? Probably not. The idea that private enterprise is close to researchers is fine, but private enterprise should pay the way.
[AGENCY 51]

SENATOR HEIDEMANN: Senator Conrad. [AGENCY 51]

SENATOR CONRAD: Thank you, Mr. Groene, for coming down. I think you frequently have the opportunity to address us and participate in government and it would be nice if all citizens were as engaged as you have made yourself. [AGENCY 51]

MIKE GROENE: My 6th grade private school nun told me I should take part in civics.
[AGENCY 51]

SENATOR CONRAD: All right. Very good. There's something that we can all agree on. It's nice to find common ground at the outset. But I did want to give you an opportunity to maybe clarify the record in regards to some of your initial comments saying that somehow or another the university was treated differently than other agencies of state government, and I wanted to know if you had an opportunity to research some of those statements before you came down here and really where you gleaned that information from because I'm not sure if the facts really bear that out. [AGENCY 51]

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MIKE GROENE: I believe there's 400 to 500 people not going to be employed by state government in different agencies, that they are being cut. [AGENCY 51]

SENATOR CONRAD: Okay. Would it surprise you to know, for example, that the university has made over \$68 million in internal cuts in the past decade? [AGENCY 51]

MIKE GROENE: In budget cuts, I would agree probably. [AGENCY 51]

SENATOR CONRAD: Okay. Would it also surprise you to know that as a share of the state budget our contribution from the state to the university has dramatically decreased from over 20 percent to I think something like 14, 14.5 percent today? [AGENCY 51]

MIKE GROENE: Sixteen percent, I know that fact, but I look at the dollars. [AGENCY 51]

SENATOR CONRAD: Okay, so if you think that it's... [AGENCY 51]

MIKE GROENE: I look at the dollars. [AGENCY 51]

SENATOR CONRAD: ...it might not be accurate to kind of start with some of those broad statements that you put out there that somehow they're held to a different standard or being treated differently when, in fact, they have helped to shoulder our economic downturn in a very responsible manner. Don't you think that would be more accurate to say? [AGENCY 51]

MIKE GROENE: I was talking about...I believe I was talking about this budget process, this biennium budget. [AGENCY 51]

SENATOR CONRAD: Okay. [AGENCY 51]

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MIKE GROENE: Was I not? I was not talking about past history. [AGENCY 51]

SENATOR CONRAD: But don't you think that history is important for contextual purposes? [AGENCY 51]

MIKE GROENE: Overall spending, overall dollars at the university has not gone down. I mean, yes, they have the last few years, but overall they're still on an upward scale percentagewise. Percentages can't lie. With the growth in Medicaid and other things, the percentage has gone down and the growth to state aid to education at the K-12 has gone up exponentially, thus, drawing down the percentage going to the university. But dollar amounts are probably pretty close to the same. [AGENCY 51]

SENATOR CONRAD: Well, I just think that it's important to know, particularly for those of us who are sophisticated in the political process, that we make sure that we have accuracy behind our statements, because words do matter and you represent a large organization of...or I don't know how large your organization is but I see your name in the paper frequently. And so don't you think that we really need to make sure that we can at least talk about the numbers from the same perspective? [AGENCY 51]

MIKE GROENE: Yeah, and if you're asking do I stand by my numbers as being correct, yes, I do, Senator Conrad. [AGENCY 51]

SENATOR CONRAD: Okay. [AGENCY 51]

MIKE GROENE: We'll disagree on that. [AGENCY 51]

SENATOR CONRAD: All right. And then the final point that I did want to make is don't you believe that in Nebraska we have a statewide economy and a shared interest in seeing Nebraska succeed or fail? [AGENCY 51]

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MIKE GROENE: If you're asking me if I'm a socialist, no, I'm an individual, I'm an individual America... [AGENCY 51]

SENATOR CONRAD: No, that was not my question. [AGENCY 51]

MIKE GROENE: Well, I... [AGENCY 51]

SENATOR CONRAD: My question is, do you think that we in Lincoln and you out in western Nebraska have a shared interest in seeing Nebraska succeed or fail? Don't we have a lot of common values? [AGENCY 51]

MIKE GROENE: I have shared information my family is profitable and, by doing that, I help my neighbor, I'd bring my neighbor up with me. [AGENCY 51]

SENATOR CONRAD: Yes. [AGENCY 51]

MIKE GROENE: But I don't join a club and say I'm part of this team. [AGENCY 51]

SENATOR CONRAD: I want to talk about your distinction you made between urban and rural Nebraska. I have a very strong feeling that when rural Nebraska suffers, that hurts us in urban communities; when urban communities suffer, that hurts rural Nebraska, because we have a shared economy. [AGENCY 51]

MIKE GROENE: Uh-huh. [AGENCY 51]

SENATOR CONRAD: Do you think that we can agree on that point? [AGENCY 51]

MIKE GROENE: Yes. Agriculture has kept us going in this state, I agree with that, and us in agriculture are glad to do that, help you out here in Lincoln. [AGENCY 51]

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SENATOR CONRAD: Okay. So if we can find common ground on that point, I think it's important to note that where we create jobs, whether they be in Lincoln or in North Platte, have benefit for the whole state and that's something that I think is important to keep in mind. Thank you. [AGENCY 51]

SENATOR HEIDEMANN: I just want to dovetail a little bit off of what she said about urban and rural and what the University of Nebraska does and the investment that we're putting in Innovation Campus. We just made an investment out at a campus at Curtis and I think that is going to be a good investment for not only rural Nebraska but for Nebraska as a whole. Do you feel those type of investments are important? [AGENCY 51]

MIKE GROENE: I believe that was a private individual that gave most of that money for that. [AGENCY 51]

SENATOR HEIDEMANN: Actually not. The state of Nebraska will help pay off the education center. There was a private individual that helped with the residence hall but it will be pretty much up to the state of Nebraska to pay off the education center. [AGENCY 51]

MIKE GROENE: Now let's...what we're discussing here is the role of a university in economic development. Do I...I have a degree from the University of Nebraska. Mine is a B.S. I decided not to go on and get one that was piled higher and deeper--a Ph.D. But we're talking the use of a university is in education. I'll give you three examples: Wyoming, South Dakota, North Dakota. Booming, lowest unemployment rate, free enterprise is just booming there. They basically have a college system, not a university system. Free enterprise creates jobs. Am I for the university fulfilling that need to educate so an individual who wants to improve themselves can go to the university or to college within the university, get the tools they need to prosper into the free enterprise system? Yes. We are talking two different matters here. I'm all for education. The

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Keynesian model where government gets involved in free enterprise, in this unholy marriage between free enterprise and government, doesn't work. Didn't work in the Soviet Union; it won't work here. It makes free enterprise lazy and I don't like it. Thank you. You could tell. [AGENCY 51]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 51]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you for being here, Mr. Groene. It does give us a chance to hear both sides and there certainly are two sides. [AGENCY 51]

MIKE GROENE: I hear a lot. [AGENCY 51]

SENATOR WIGHTMAN: I would like to discuss a little bit with you, however, the ethanol business. You talked about the university really hadn't done much, that most of that came from funding from the state of Nebraska, but it's my belief and my understanding and everything I've read is that the University of Nebraska has provided a great number of dollars for research that has led to this growth of the ethanol industry, and I think that that's being reflected all over the state of Nebraska. So maybe the dollars for the development of the plants came from state funding, but I would beg to argue with you that a lot of the research dollars haven't come from the University of Nebraska and they probably weren't all tax dollars. I'm sure much of it was research grants. But if we can leverage those dollars, don't you think that's important? [AGENCY 51]

MIKE GROENE: Yes. The university can help if they have an individual that has an interest in that, but we're not an island here in Nebraska. Most of the plants have been built by companies that came out of Iowa, Minnesota, and those free-enterprise individuals have kept making those plants more efficient with new engineering designs. I'm assuming the University of Nebraska has done some research, too, but I would bet if you walk in to most of those owners of those plants, that design came from Minnesota,

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Iowa, or somewhere else through free-enterprise innovation. [AGENCY 51]

SENATOR WIGHTMAN: But without the research dollars that came through many of the universities, including the University of Nebraska and I dare say the University of Iowa or Iowa State and Minnesota, I don't think we would be seeing many of those dollars in Nebraska. I don't think we would have seen the growth of the ethanol industry. You feel I'm wrong there? [AGENCY 51]

MIKE GROENE: Again, I'll go back to the point we were talking about, the role of a university as a free-enterprise innovator. Research is part of a university's task. They do come up with ideals that are used in the free-enterprise system. But to actually create free-enterprise endeavors is a whole different matter. I was talking to Senator Hansen earlier where he said the University of Nebraska--he's a rancher--came up with a scours vaccine, made a big improvement in calving. Fine and dandy, that's what universities should do. But to actually be the motivator and the creator of free-enterprise endeavors? Free enterprise works in America. We are the best in the world because you have the opportunity to fail. Ideas fail and ideas succeed. When you have government involved, bad ideas don't fail. [AGENCY 51]

SENATOR WIGHTMAN: I guess what I'm questioning is the fact that the university is acting as a motivator. I think they're providing the research by which private enterprise can use that research and grow, but I don't see them being the private innovator that you're suggesting that they are. [AGENCY 51]

MIKE GROENE: And again, I'll agree with what I had told Senator Heidemann. I agree. The idea of building...of people who need research building next to a university and commingling thoughts and ideas with the government employees at the university and the free-enterprise engineers is a great idea. But because of that opportunity to be close to that, free enterprise should pay for it, not me as a taxpayer. Give them the opportunity to build next to them and to take advantage of that research and both

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improve, because the mind-set of a free enterprise and the time table of free enterprise to create wealth and the time table of a university to do research is two different time tables. But you intermingle them and you can get good results. But don't ask me to pay for it as a taxpayer. [AGENCY 51]

SENATOR WIGHTMAN: It just seems to me that if somebody doesn't pay for it and if somebody doesn't provide some leveraged dollars... [AGENCY 51]

MIKE GROENE: I just said let them pay for it. [AGENCY 51]

SENATOR WIGHTMAN: Well, how do you separate the University of Nebraska from the taxpayer? I don't think you can. [AGENCY 51]

MIKE GROENE: Yeah, but the researcher is already there. He's involved. He's teaching a class, I would hope he is, at the university. He's doing research because he got a grant from...which is shriveling up on the federal level, but he's there. He's motivated by the intermingling. It makes sense. But let free...we've done enough. We've supplied a campus, we supplied the land, we were told that the rest would come from philanthropy--I understand you got a bunch of money from the guy from Valley Irrigation--and from free enterprise. Now all of a sudden you're coming back in a budget crisis and telling me you're going to give \$25 million to the university within two years' time table of where you told us \$5 million was all they're going to get. I'm not going to put my hope in the University of Nebraska to solve the problems of any economic problems we have in the state of Nebraska. I know a lot of people work very hard in free enterprise. We'll turn it around for the profit motive. [AGENCY 51]

SENATOR WIGHTMAN: And obviously we have some disagreement on that because I do think that the University of Nebraska is... [AGENCY 51]

MIKE GROENE: Most things we agree on, Senator Wightman. [AGENCY 51]

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SENATOR WIGHTMAN: ...a lot of the engine that drives the state of Nebraska, drives its agriculture, drives a lot of areas of... [AGENCY 51]

MIKE GROENE: The large farmers I deal with deal very little with the university. They've got their motivation from chemicals like that Monsanto came up. The invention of Roundup was a revolution. In fact, that person, whoever invented Roundup chemical, should get a Nobel Peace Prize. He's done more for soil erosion than any individual in the world. Like I talked to you about strip till innovations, it's done wonders. There would have been a riot in western Nebraska when people put irrigation limits on irrigators in the west down to 6 to 8 inches. You couldn't have done that without strip till. You don't hear anything about it. But...and the whole irrigation process, it's been a marvelous innovation of free enterprise. Those all happen. Quite frankly, the small farmer who goes to some of the seminars put on by...the big guys, they're talking free enterprise. They're getting innovation from them. [AGENCY 51]

SENATOR WIGHTMAN: Thank you. One closing comment. [AGENCY 51]

MIKE GROENE: And I deal with the big farmers. [AGENCY 51]

SENATOR WIGHTMAN: One closing comment. I think without the research that came from the University of Nebraska and other institutions like the University of Nebraska, we probably wouldn't even have the basis to proceed in the long line of strip farming. I think that they have been very engaged in that through their Extension programs, through many programs that they provide. [AGENCY 51]

MIKE GROENE: No, they haven't. Those in the industry have real hard to get them to do a project, a test project on it, and they refused. [AGENCY 51]

SENATOR WIGHTMAN: Thank you. [AGENCY 51]

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SENATOR HEIDEMANN: Senator Nelson. [AGENCY 51]

SENATOR NELSON: Thank you, Senator Heidemann. Thank you, Mr. Groene, for coming. I really appreciate your coming here today. It may not be apparent, but some of us do support your views and the views that you bring from western Nebraska and from a lot of members of our population. We just have a little disagreement of ourselves at times as to the extent that we could go and what promises have been made and what we can expect from the future. And that's why I asked the question, are we going to have to put out more money for matches when really that was not our understanding two years ago, at least not to that extent. So I'm not going to comment about that, but I'm not going to ask any questions. I just appreciate your taking the time to come down and give us your views and defend your position, and I think that's what we need to hear today. Thank you very much. [AGENCY 51]

MIKE GROENE: Thank you, Senator Nelson. [AGENCY 51]

SENATOR HEIDEMANN: Senator Fulton. [AGENCY 51]

SENATOR FULTON: Thank you, Mr. Chairman. Well, Senator Nelson stole some of my thunder, but I am going to ask a question. And thank you for making the trip down. I appreciate hearing your views and it's important that we get this from all sides. Here's where there's some philosophy here and I think that if we're all honest about this that we...the principles upon which we stand have to be compromised at least in one way, shape, or form in order to...well, I think in order to move this project forward. But I even detected that a little bit in something that you said. So let me ask you, would you be supportive if the university...we had this land, the University of Nebraska had some land and were to put up some buildings that were relegated to the responsibilities of the university, as you see it, would you have a problem with that? [AGENCY 51]

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MIKE GROENE: As long as they had an educational bent to it, I could understand that.
[AGENCY 51]

SENATOR FULTON: Okay. What if there were a private company that said, you know, we would like to be able to borrow some of the intellectual talent that exists in these buildings, would you have a problem with that? [AGENCY 51]

MIKE GROENE: I think that's what we've been talking about, the marriage between the research, the brains of the university, those people who prefer to work under that stress, versus the people who go off--and you know, there are some brilliant minds in free enterprise--who go off and work for free-enterprise companies. That marriage of those type personalities is a good thing. I think you'll get good results. I just don't want to pay for it. [AGENCY 51]

SENATOR FULTON: Uh-huh. [AGENCY 51]

MIKE GROENE: That company...I believe in free enterprise but I also believe that company who invests there should be the one who pays the way. [AGENCY 51]

SENATOR FULTON: Okay. [AGENCY 51]

MIKE GROENE: And I don't...if the university guys want to go work in their lab, I don't care as long as maybe they teach a class once in a while too. [AGENCY 51]

SENATOR FULTON: Uh-huh. [AGENCY 51]

MIKE GROENE: I mean that's just my personal opinion, but this idea that somehow government or universities are going to save the economy is wrong, it's absolutely wrong. We are the greatest country in the world because of free markets and freedom.
[AGENCY 51]

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SENATOR FULTON: Okay. [AGENCY 51]

MIKE GROENE: Our education...none of my ancestors came across on the boat to build a university, got on a boat and came across the ocean. None of my ancestors came here to build a public school. They came here for freedom, the opportunity to succeed, to build their own lifestyle, to have that freedom to get wealth. There's nothing wrong with accumulating wealth. [AGENCY 51]

SENATOR FULTON: Let me ask you the... [AGENCY 51]

MIKE GROENE: Our university system is the result of our free-enterprise system, not the other way around. [AGENCY 51]

SENATOR FULTON: Yeah. No, I'd agree. Here's the...if I can communicate to you where...so what you're saying I agree with. I mean I share those principles. [AGENCY 51]

MIKE GROENE: Yeah. [AGENCY 51]

SENATOR FULTON: I think the free-enterprise system is what made...and we're an economic miracle. But there is...what I've learned down here is that there's an interplay with, oh, the creativity and the intellectual capital that comes out of the universities that is useful when it gets over to the private sector. Where I start to...where it starts to blur for me is what's going on with respect to our competitors. The example I look at is Gatorade. Okay? Gatorade, great private enterprise but it came via a public and private partnership. So at some point, those of us who hold these principles of free enterprise and a demarcation of that which is private from public, there's interplay and that interplay happens intellectually. And it's very difficult to put a boundary on when one's intellectual prowess comes out of the public sector or the private sector, and that's the

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difficulty that I've had anyway working through this on Innovation Campus. So in one way, shape or form you have some agreement that Innovation Campus is a worthwhile endeavor; it's just a matter of degree as to how far we in the public sector, we in government fund those opportunities. I mean is that an accurate statement? Because what I'm seeing is that somewhere we have this spectrum and you're somewhere over here on the spectrum, I'm probably a little bit further away on the spectrum, then there will be others that will be further along on the spectrum, all of which we have some things in common, and maybe that's what Senator Conrad was saying. [AGENCY 51]

MIKE GROENE: I guess my line is drawn where we gave the opportunity, we gave the location. Location is everything in real estate and everything. [AGENCY 51]

SENATOR FULTON: Uh-huh. [AGENCY 51]

MIKE GROENE: You gave the location where the free-enterprise endeavors can exist right next to the university. It's all you need to do. [AGENCY 51]

SENATOR FULTON: So you'd say that the 20...so that there wouldn't be an amount of money, that there would not be an amount of money that you'd be satisfied. And the reason I ask you, Mike, is because I...I mean, I've been out there. I've talked to a number of members of your organization and I understand that you're speaking for a lot of folks in Nebraska and folks with whom I agree with. But on this, on this issue, it just...in moving through my mind, this is an opportunity I see. We probably disagree on that but I'm trying to determine where it is that we have some commonality. So is there an amount of money at all that... [AGENCY 51]

MIKE GROENE: Well, I think...I think... [AGENCY 51]

SENATOR FULTON: ...assuming that we found the money, which we... [AGENCY 51]

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MIKE GROENE: I think the amount of money is the salaries we pay for those researchers. [AGENCY 51]

SENATOR FULTON: Okay. [AGENCY 51]

MIKE GROENE: You know, this whole thing goes back to, what was it, two months ago they lost the earmarks. You're panicked, the Governor is. We do not know if Mr. Prem Paul...Mr. Prem Paul now, doing his job where government got involved and says, I can sit back, the Governor has given me \$25 million, I don't have to go out and fund-raise, in a two-month period. Back off this \$25 million for a biennium budget, let us see where our economy goes and then come back. But this is panic. Two months ago \$25 million wasn't even in the budget. I've heard from reliable sources the university, Mr. Milliken, never even asked for it. The Governor approached him, to his credit, to Mr. Milliken's credit. Two months ago this \$25 million was not even a consideration in the budget. Is that how we do government, we panic? Give Mr. Paul a chance to go out and fund-raise and find that money. Tell him to go out and find it. In two years, if things are healthier...in two years this is not going to turn the economy around. It's going to do wonders for Lincoln's economy, construction jobs and stuff, but (laugh) it's going to do nothing for research. It's going to take two years to pave the streets. So if anybody is trying to tell me that this \$25 million is going to instantly solve our problems economically, they're lying. Lincoln is going to do wonderful. In fact, I just paid a bunch of taxes to help them with construction. Coming down to see my government, take part in my government, I had to pay a hotel tax and a meal tax on a couple meals to help with their economic development again. We are not a city state. We are not in a medieval time where we have the capital city and we all have to do pilgrimage to Lincoln. Two months ago, folks, you had no \$25 million in any of your minds about giving to the University of Nebraska. Anyway, that's... [AGENCY 51]

SENATOR FULTON: Thanks. Appreciate you coming down here. [AGENCY 51]

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SENATOR HEIDEMANN: I have to add, I mean there are a lot of views that you have that I share also. I'm not crazy about big government, without a doubt. I have to say that we're not panicked, though. We're excited for an opportunity. I'm going to go back to many years before I was in the Legislature we created an EPIC Fund and we have probably put in, just guessing, \$10 million, \$20 million, maybe \$25 million into this EPIC Fund to jump-start ethanol. Because we had that foresight to do that, we have a lot of ethanol plants in the state of Nebraska and, because of that, we have \$6 and \$7 corn. I look at this as an opportunity to jump-start something for things down the road and that's just my opinion. Seeing no further questions, thank you. [AGENCY 51]

MIKE GROENE: Thanks for listening and get a viewpoint from the guy out there with his hands dirty working every day, and I think you need it. [AGENCY 51]

SENATOR HEIDEMANN: Thanks for making the trip. Is anyone else wishing to testify on Agency 51, the University of Nebraska? (See also Exhibit 10) Seeing none, we'll close the public hearing on Agency 51. [AGENCY 51]