

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

Appropriations Committee
January 17, 2017

[AGENCY 47 AGENCY 48 AGENCY 50 AGENCY 51 AGENCY 83 AGENCY 72 AGENCY 34 AGENCY 13]

SENATOR STINNER: We have a quorum and I always like to start on time but the train is about five minutes late, so. I do want to welcome everybody to the Appropriations hearing. My name is John Stinner and I represent the 48th District, which is Scotts Bluff County, and I also serve as Chairman of the Appropriations Committee. The committee will take up agency testimony in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. Committee members may come and go. That's simply because we have other legislation being presented in other committees. It's not that they are disinterested in what you all have to say. It's just there are competing requests going on right at the moment. To better facilitate today's proceedings, I ask you to abide by the following procedures. Please silence or turn off your cell phone. Also, move to the reserve chairs when you're ready to testify. The order of testimony is we'll take the head of the agency first and that will be an unlimited time, but we will then take five minutes for other testimony in back of the agency head. Testifiers sign in; hand your green sheet, sign-in sheet, to the committee clerk when you come up to testify. Make sure you pronounce your name, spell your name, so that we get the testimony correct. Be concise. It is my request that you limit your testimony afterward again to about five minutes. And we will have a light system incorporated. It goes on amber, it gives you about a minute to conclude your testimony. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's testimony. Written materials may be distributed to committee members as exhibits only while your testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. You will need 12 copies, not 10 copies. So if you only have 10 copies, hold up your hand and our page will...I think we've got a page, don't we? Okay. Our page will make some extra copies for you. To my immediate right I don't have my fiscal analyst so I'll figure that out later, but our committee clerk is Jennifer Svehla, and I will ask that the committee members, from left to right, introduce themselves. And obviously Senator Kintner, from District 2, will be joining us later. Go ahead, Senator McDonnell.

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

Appropriations Committee
January 17, 2017

SENATOR McDONNELL: Mike McDonnell, LD5, south Omaha.

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

SENATOR HILKEMANN: Robert Hilkemann, District 4, west Omaha.

SENATOR STINNER: John Stinner, District 48, Scotts Bluff County.

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

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

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

SENATOR WATERMEIER: Dan Watermeier from Syracuse, District 1.

SENATOR STINNER: Thank you. Our page today...how do you want me to introduce you? Is it...

JOE GRUBER: I'm Joe.

SENATOR STINNER: ...Joe the page or...?

JOE GRUBER: (Inaudible) I guess.

SENATOR STINNER: Okay. Thank you. (Laughter) Anyhow, our first agency this afternoon is Agency 50, Nebraska State Colleges. [AGENCY 50]

STAN CARPENTER: (Exhibit 49) Good afternoon, Chairman Stinner and members of the Appropriations Committee. I am Stan Carpenter, S-t-a-n C-a-r-p-e-n-t-e-r, and I'm the chancellor of the Nebraska State College System. I appreciate the opportunity to chat with you for just a few minutes this afternoon about the Governor's budget deficit bill. I think the most important

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

Appropriations Committee
January 17, 2017

consideration for us and I hope for you is the students that we serve. About 50 percent of our students are first-generation students attending Chadron, Peru, or Wayne. And at Peru there's an interesting statistic that I thought was important for this year. In their first year class, about a third of that class comes from families who have a family income of less than \$30,000 a year. About half of the class, just over half of that class, comes from families who have a family income of less than \$50,000 a year. So we are serving students probably who are the most needy in the state of Nebraska. And there are similar statistics like that at both Chadron and at Wayne. We are colleges of opportunity or, what some folks call, open-enrollment institutions. We give kids a chance to see if they can make it in college, and an awful lot of them do. But we require strong student support services for those students who come to us and we are always making sure that we give them as much support as we can so they have every chance to be successful. Our students generally come from rural Nebraska where they return to rural Nebraska when they graduate. We train about 20 or 21 or 22 percent of the students who become teachers in Nebraska, and about 80 percent of those return to rural Nebraska to teach as they become professionals. When we have budget reductions, we only have two things to look at basically. We can look at tuition increases or we can look at a reduction in services and programs or a combination thereof. Either one of those issues, either one of those approaches significantly affect our students, either by increasing the tuition or by reducing the services that we think they need to have available to them so that they can be successful. Access to higher education is our primary mission and the effect of either one of those, a substantial increase in tuition or a reduction in services, affects that ability to have access to our institutions. Let me give you just a few quick facts about the State College System, if I could, maybe a clarification for some folks. As I said, we have two sources of income: one is tuition and one is a General Fund appropriation. We do not have any property taxing authority. About 97 percent of our federal dollars that come to us, come to us directly as financial aid for our students. Last year federal dollars to us in terms of grant funds was about \$160,000, so it is not a significant amount of money. And while we do have foundations, as you might guess, they are small, as our institutions are, and reflect for the most part our graduates who oftentimes are students...or are teachers or folks who go back to work in the community as law enforcement officers and things of that sort. Seventy-one percent of our General and Cash Fund dollars go towards personnel issues. And when positions are cut or eliminated at our institutions, there is a direct impact on our students and each position lost also has a direct impact on the economy of rural Nebraska

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

Appropriations Committee
January 17, 2017

and the three small towns and regions that we are located. With all that said, and I've said to several of you before, we recognize the difficult state financial circumstances and we want to be a good partner in this problem that the state is facing. We have said many times this year that we will make our 4 percent reduction this year work. It's not easy but we will do that. The colleges have already made plans to deal with that through things like, not a hiring freeze, but a close look at replacing vacancies in personnel; travel reductions; and the reduction in costs of equipment purchases; and so on and so forth. That action began earlier this year when we first began to hear about the issues with the state's finances, so we've been planning for that since the early fall and we have made a vow to make that work. As I said to some of you, there was a discussion at some point to raise tuition in the middle of this year, but that discussion did not go very far. It would be very difficult for our students to have a midyear tuition increase. So we are able to withstand this on a one-time basis. We can't sustain it going forward. With the advanced warning that we had, we have been able to make those adjustments, as I've said, on a one-time basis, but it is harder for the long term to make those changes work for...as permanent cuts. They're not sustainable for us. As we move forward into 2017 and 2018, we will look at some combination of tuition increases and a reduction in our budgets, our budget cuts, if you will, for the long-term impact. That will be painful and it will not just be a normal 2 or 3 or 4 percent tuition increase that we'll have to ask for from the Board of Trustees. It will be something more significant than that, depending on how things eventually shake out. I do want to thank the Governor, however, for his support of education and his support of higher education and his support of the Nebraska State College System specifically. And as I said, we know we have to be a part of the solution as well. So I want to leave you with a couple, three or four takeaways about us today if I can. As painful as it will be in the future, if the numbers hold that the Governor has predicted or has put forth in his proposal for the next biennium, we'll make it work through a combination of tuition increases and budget cuts. I would ask, however, that if miraculously you find additional money that you want to put into higher education or education, that we share in those additional funds which miraculously will appear at some point, I'm sure, because that will lessen the impact of all of this to our students. And after all, that really is what this is all about for us and the State College System and our Board of Trustees. One of the areas that we are concerned about with the Governor's budget going forward is the reappropriation issue. The Governor has taken some of our reappropriation dollars, about 70 or 75 percent of that, and is looking to reduce what we carried forward. We carried forward from last year about \$205,000,

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

Appropriations Committee
January 17, 2017

not a lot of money by most folks' standards, but it is a lot of money to us because it's in the system office. Those are the only funds that we have, are General Funds and those funds have really been committed over the course of this past year. We have a long-term employee from the system office who is going to retire and we need to have the payout for that in terms of vacation and so on and so forth. We have hired a new Title IX position this year in the system office, and we've had to make sure we they gave that person enough education and training and pay, if you will, to sustain that for the course of this year. So that's a difficult place for us to not have funds to support that. And we've also done an update to our Web site. Now that doesn't sound like it's very important, probably, but it's the first update to our Web site since before I got here in the year 2000. So it is an improvement. It makes it more functional. It makes it more data-driven. It makes it more informational to folks. It makes it easier for folks to get on our Web site and find our policies, for example, find our employees and so on and so forth. So it is critically important that those carry-forward funds, as much of those as we can maintain, if you will think about that to make those things work for us. It is probably in the neighborhood of \$155,000 to \$160,000 or \$170,000 that we would like to keep out of that reappropriation fund. We wouldn't want to give any of it back, but we certainly need that amount as well. So we would ask you to keep those in mind. And also one last thing and that is the Nebraska Opportunity Grants program has been impacted, obviously, as every other program has. Last year our students got about \$3.2 million in those funds and, as you know, that's very important to our students, many of whom, the majority of whom are receiving federal financial aid. And so to have that cut for them this year is going to make it more difficult, just as a tuition increase would have been as well. So I'd ask you to consider that and I'm sure you'll be hearing more about that from the Coordinating Commission for Postsecondary Education. So with that, I know you have a lot of other folks to hear from. I will stop but I'd be happy to answer any questions you have and appreciate the time you've given us. [AGENCY 50]

SENATOR STINNER: Thank you. Questions? Senator Hilkemann. [AGENCY 50]

SENATOR HILKEMANN: Chancellor, you just mentioned the Nebraska Opportunities Fund. [AGENCY 50]

STAN CARPENTER: Opportunity Grant, yes, sir. [AGENCY 50]

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

Appropriations Committee
January 17, 2017

SENATOR HILKEMANN: Are you saying that some of these students that are already on that face having that pulled out from under them at this point? [AGENCY 50]

STAN CARPENTER: My understanding, Senator, is that...and I'm not expert on it, my understanding is if those funds are reduced then they will not be able to count on the funds that they've had. I'm sure that the executive director of the Coordinating Commission can answer that question better than I, but that's my understanding. [AGENCY 50]

SENATOR HILKEMANN: Okay. [AGENCY 50]

SENATOR STINNER: Senator Bolz. [AGENCY 50]

SENATOR BOLZ: Well, a follow-up on that issue: The deficit budget book says that the Governor is suggesting an across-the-board reduction or lack of allocation or withholding, or whatever term you want to use, of \$274,726. And I understand that that would be spread out among the institutions and the students. [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR BOLZ: But am I correct in understanding that for this semester you, as an institution, were expecting those dollars to be flowing into your budget? [AGENCY 50]

STAN CARPENTER: That's correct. [AGENCY 50]

SENATOR BOLZ: Okay. So... [AGENCY 50]

STAN CARPENTER: Flowing to our students and then through the budget, yes. [AGENCY 50]

SENATOR BOLZ: Okay. So what would happen? Would you have to make it up otherwise in your institution or would the students... [AGENCY 50]

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

Appropriations Committee
January 17, 2017

STAN CARPENTER: I assume we'd have to make it up otherwise or we'd have to say to them, you still owe us money. We haven't worked through that process yet, Senator. [AGENCY 50]

SENATOR BOLZ: I guess I find that worrisome if the potential is that a student at the end of the semester was expecting a certain... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR BOLZ: ...financial aid package. Even if it ends up being a couple hundred dollars, that... [AGENCY 50]

STAN CARPENTER: Right. [AGENCY 50]

SENATOR BOLZ: ...that can mean a lot to a college student. [AGENCY 50]

STAN CARPENTER: It's a big loss to our students and I'm not certain how we'd handle that, frankly. Probably we would have to try and find a way to absorb that in our budget because we've already issued our tuition bills to our students. But I'm not certain. I haven't thought that through, unfortunately. [AGENCY 50]

SENATOR BOLZ: Uh-huh. And I just want to be clear. You are considering a combination of tuition increases and budget cuts if you were required to respond to the Governor's budget proposals. But because the semester has already started, those tuition changes couldn't occur this year, correct? So... [AGENCY 50]

STAN CARPENTER: That's correct. [AGENCY 50]

SENATOR BOLZ: ...so you'll come back in on the biennial budget to discuss... [AGENCY 50]

STAN CARPENTER: Yes. Yes. [AGENCY 50]

SENATOR BOLZ: ...what plans and impacts might be available for... [AGENCY 50]

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

Appropriations Committee
January 17, 2017

STAN CARPENTER: That's right. [AGENCY 50]

SENATOR BOLZ: ...the tuition increases and budget cuts. So tell me specifically with your deficit budget, you know, for the State College System over all it's 2.09 across the board. [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR BOLZ: What does that mean for your system? [AGENCY 50]

STAN CARPENTER: Well, it means that the colleges have...as I said, we started this process way last fall, even in the late summer, so the colleges have been very careful about hiring so there are vacancies that are savings (inaudible). They've been very, very careful about travel and reducing travel so that folks aren't going off. And it's not just travel fun when we send folks away. It's an educational event for them. So they've been careful about that. And there have been equipment purchases that have been delayed or postponed, and also just some other cutting of costs in the general operations of the institution. So that's painful and it can't be sustained over time because we need to have equipment that is modern so that our students are learning on the kind of modern equipment that they'll go out and work with in industry and business and so on and so forth. So that can't be sustained overall in time. But right now, as a one-time cut, we've been able to do that. [AGENCY 50]

SENATOR BOLZ: So you've been able...you are or will be able to manage the 2... [AGENCY 50]

STAN CARPENTER: Two point. [AGENCY 50]

SENATOR BOLZ: ...2.1 through vacancies, operations, and equipment. [AGENCY 50]

STAN CARPENTER: Yes, Senator, for this year. [AGENCY 50]

SENATOR BOLZ: Thank you. [AGENCY 50]

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

Appropriations Committee
January 17, 2017

SENATOR STINNER: Senator Kuehn. [AGENCY 50]

SENATOR KUEHN: Thank you, Mr. Chairman. Following up on the answer that you just gave with regard to how you're handling this year's deficit by essentially deferring expenses, whether that's hiring, equipment, given that we are probably looking at a new normal, at least through the next biennium, possibly the following, what process will your institution be going through in terms of program prioritization? How will you be coordinating the campuses to ensure that you're maintaining your core mission, of limiting duplication of services? What kind of process are you looking at going forward? [AGENCY 50]

STAN CARPENTER: That's a good question, Senator. Each institution, each president of each institution has been charged with the idea of going back--they know what their general share of the cut would be, given what the Governor's biennial budget proposal is--and looking at that. And we've established a modest tuition increase, which will probably be not enough to cover things. But anyway, we put those two together and say, okay, here's the amount that you need to look at, at your institution. And so, for example, at Wayne they have just formed a college-wide committee of faculty and staff and students, and they're working with their vice presidential cabinet and they're going to look at ways to say, okay, what programs do we need to look at, what services do we need to look at, what is essential? Maintaining the access is critically important. So they will be doing that hard work. It's the same process basically that we followed in 2002-2003, in 2008-2009 with the Great Recession. They will put plans together and send them or bring them to the system office. We will review them for all sorts of reasons: financial, to make sure they're meeting their goals; making sure that they meet policy issues; making sure that our contracts are honored; and making sure that we are not, not destroying the core of what we do. So it's not an easy process. None of the institutions have the exact same process, but they all are collaborative in ways to look at what's available for them to tighten their belts with. [AGENCY 50]

SENATOR KUEHN: And has there been any dialogue or have you reached out as a system with the other areas of public higher education, whether that be the University System or the Community College System, with regard to prioritizing? And I'm somewhat concerned. Obviously, we've got the "big dog on the block" sitting behind you with the University System.

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

Appropriations Committee
January 17, 2017

We've got the Community College System, which obviously has, as a property tax base, an additional revenue stream. And you guys are here doing what you do in your mission, you know, fairly dependent upon General Funds appropriated... [AGENCY 50]

STAN CARPENTER: Yes, sir. [AGENCY 50]

SENATOR KUEHN: ...by this committee. So has there been a dialogue to coordinate, to look at prioritizing our public expenditure of funds for higher education on a broader sense, or so far we're just kind of approaching this system by system? [AGENCY 50]

STAN CARPENTER: Well, we do have partnerships with community colleges and the university now. You may be aware of the RHOP program and now the new RLOP program, Rural Legal (sic--Law) Opportunities Program. We have partnerships with the community colleges, for example, at Wayne State with Northeast Community College. We've opened a joint College Center in South Sioux City. So we have those kind of things in place. I don't believe we've had any conversations since this question has come up about any other kind of collaboration that we might perform. But I would say that programmatically we have programs that probably are not the same at the community colleges or at the university. We have, however, worked very hard with the university and the community colleges to institute a transfer agreement to make sure that students can transfer from one system to the other and that they know what courses they can take and what they'll count for at whichever institutions they're going to. [AGENCY 50]

SENATOR KUEHN: Thank you. Appreciate that. [AGENCY 50]

SENATOR STINNER: Questions? Thank you very much. [AGENCY 50]

STAN CARPENTER: Thank you. Appreciate it. [AGENCY 50]

SENATOR STINNER: Okay. Our next is Nebraska Educational Telecommunications Commission, is that it? Is that the order?

SENATOR HILKEMANN: You have the University of Nebraska (inaudible).

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

Appropriations Committee
January 17, 2017

SENATOR BOLZ: You skipped.

SENATOR STINNER: Okay.

SENATOR BOLZ: You skipped NET and Coordinating Commission. I don't know if they have anybody here.

SENATOR STINNER: Okay. University of Nebraska is next. Sorry about the mix-up.
[AGENCY 51]

HANK BOUNDS: Good afternoon, everyone. Ready? [AGENCY 51]

SENATOR STINNER: Thank you. [AGENCY 51]

HANK BOUNDS: (Exhibit 50) Mr. Chairman, members of the committee, my name is Hank Bounds, H-a-n-k B-o-u-n-d-s. I have the opportunity, great opportunity to serve as president of the University of Nebraska and I have handed my testimony to you along with a number of slides. I won't read that information to you, in the interest of time. I thought I might just take two or three minutes and talk about how the proposed budget reduction will impact our university. So I'll first tell you things that I worry about for our university. I worry about affordability, accessibility, our unique role as the economic engine that drives work force development in our state. I worry about our statewide presence. Want to take just a moment to remind you of our impact: \$3.9 billion impact that was...we have that from an outside consultant. When you add in the clinical portion of the Med Center, you double that number. Each year we educate more than 50,000 students who will become the future farmers, ranchers, teachers, bankers, business leaders, healthcare providers, entrepreneurs, lawyers, and so forth. Our Medical Center is transforming care and research, both here and across the country. We have great partners in the community, great donors who have invested in us. They've observed the state's willingness to invest in the university, both in terms of bricks and mortar and programs. And the good news here is we are growing our enrollment. We are bringing students from the state of Nebraska but also from around the country and around the world to the state and really, I think, placing us in a better...giving us a better opportunity to grow the economy of the state. So all of you know that

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

Appropriations Committee
January 17, 2017

I'm fairly new here. I've spent a lot of time over my time trying to really understand. I'm really data driven so taken a hard look at the data, this year's data, the previous year's data, the past ten years' data. And what I find is a little concerning when I look at the past 10 years, the past 20 years. What I find is the appropriations that have gone to the University of Nebraska have grown at a far smaller rate than any other area in the state. I think it's important that I use the data from the past and ask you to recall the last time that this type cut occurred. Back in the early 2000s, there was a midyear cut, followed by a downturn the next couple of years. I think history can be one of our best teachers. And so what happened then, we had significant tuition increases, double-digit tuition increases in fact. Enrollment dropped significantly. It took six or seven years to recover from that enrollment drop. Jobs were lost, programs were closed. You know the fiscal situation is what it is and we're going to be a good partner. We're going to do everything that we can to absorb cuts that come our way. But I think we all have to be clear that there are consequences when you take action. So this fall, this past fall, we implemented one-time steps, whether it was suspending hiring or other cost-control opportunities, to deal with what we thought were coming. However, in terms of the Governor's proposed reductions, I...let me just speak to about three issues. The first one is the Governor's proposed \$13.3 million cut. I've told the Governor that we can...we will manage through that. It will be painful. We are not hiring people. It is slowing our progress. Two...just so for example, \$2.2 million alone just at the Med Center in people that we're not hiring. Those are researchers. Those are docs. That slows our ability to grow the economy. I really think of us as the engine that drives economic development. The second issue that I have some significant concern about is the fact that the NRI, Nebraska Research Initiative, it's \$5.1 million in carry-forward funds that are going...are to be lapsed back. These dollars allow us to be more competitive in research. These funds are already fully committed. Without the ability to carry forward those funds, we won't be able to make strategic purchases. It impacts our ability, our future ability to grow the research enterprise. And then to Dr. Carpenter's point regarding the Nebraska Opportunity (Grant) Act, our estimate is that it will impact about \$135,000 in student aid. One of the statements, in closing, that I want to call out is that in the Governor's State of the State that I completely agree with him on is that, you know, he talked about...and I'll paraphrase, the only way to grow our state is to grow the number of people in it. I completely agree with that position. We aren't making any more Nebraskans. If you look at birthdays, 20, we're pretty flat. The ability to attract and retain jobs in this state is pretty directly correlated on education's ability to produce a better educated citizenry. I worry, we have

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

Appropriations Committee
January 17, 2017

such amazing momentum right now. We're growing. Every indicator that you want to be...that you're concerned about is headed in the right direction. And I fear that this cut and future cuts will be...would be like punching the pause button on progress. And so let me stop there and I'll be happy to at least attempt to answer any questions that any of you may have. [AGENCY 51]

SENATOR STINNER: Questions? Yes, Senator Wishart. [AGENCY 51]

SENATOR WISHART: Well, thank you for being here. One of the questions that I've been thinking about is you mentioned your Foundation. Is the Foundation at all able to help you weather some of these cuts? [AGENCY 51]

HANK BOUNDS: So good news, bad news: The Foundation helps us immensely. Our work along with the Foundation, we are...we have such generous alums, we have such generous Nebraskans, but...and people who live outside of the state, but 99.2 percent of every dollar given is a directed dollar. So if you...so I'll give you an example. If you gave me money you might say, here is X amount of money, but you can only spend that on Y scholarship. And so 99.2 percent of all the dollars that we receive have to be spent in a certain way so I can't take them...take those dollars and mitigate these cuts. And so good news is we, you know, we have lots of generous people who are helping us to build facilities or helping us to start programs or helping us to meet the needs of Nebraskans from an attendance point of view and affordability point of view, but we...the Foundation does not have the wherewithal to help us through these cuts. [AGENCY 51]

SENATOR STINNER: President Bounds, one of the things we've talked about at committee level, you have negotiated an initial cut, needing a runway. Could you explain that to the committee, what that's all about? [AGENCY 51]

HANK BOUNDS: Sure. So it will take me just a couple of minutes. The Governor sent all code...I'm not certain of the right language but those agencies that report directly to him and those that report to boards. I received one of those letters. The Governor called me to have a conversation about it, and in that letter he spelled out a number of actions that he was taking. One was to hold back 1 percent of our allocation. So you know that we customarily receive 25 percent of our allocation from your appropriation at the beginning of each quarter. So in the

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

Appropriations Committee
January 17, 2017

conversation, I asked, do you anticipate that we will be cut? And the Governor said, we don't know, that we are not planning on that; this is a good...this is a measure that we're taking to encourage people to be frugal in their spending. And I said, well, you know, Governor, it would be helpful to me if, rather than holding dollars back, if we know that we're going to take a cut, let me manage the cash into the cut into the fourth quarter, because that's where we'll run into issues from a cash flow perspective. And then we received another letter in the middle of October that said the plan is to hold 2 percent back in January. So at that time I went to see the Governor and said, help me understand this issue. He said, well, the economy is such that we have to cut 4 percent from the allocation. So I said, so what does that mean for the University of Nebraska. And he said, well, you're going to get a 4 percent cut. So we talked about what that means and other entities and how that would square with us. And so then I said, help me understand, does that mean that our debt service dollars are going to be reduced; does that mean that dollars that we receive that we have from carryover; I specifically asked about NRI. And the response was that the debt service pieces would not be included in a recommendation, NRI would not be included in a recommendation, but that we would see a 4 percent cut. That point...so this is...I'm in no-man's land here. I recognize that the members of this committee and the Legislature have to make that call. But this is before...this is about the time...no, this is October, late October. We don't even know what the composition of the Legislature will be at the time, much less this committee. I have some conversations with some of you on the committee; I explain our situation. And the issue for me is that 4 percent in January means that I have to cut 8 percent during the rest of the year to achieve a 4 percent savings over time, if that makes sense. And I shared with the Governor that I can't...I can't devise a math equation that will allow me to cut that much that quickly. So, for example, so part of the issue here, part of the reason for me saying, telling some of you--Senator Stinner, you and I had this conversation--was that, number one, we haven't received the kinds of appropriations that other have. So our appropriations have lagged behind certainly state revenue and state appropriations in general, and that is in your document here, but also the fact that we're spending less money today per student than we did in the year 2000. We've become fairly lean. Now I'm not going to sit here and tell you that we can't find more efficiencies because we're just too large to not have some inefficiencies, and we're going to drive all of that out over...as much as we can for the next couple years. But because we've already found lots of efficiencies, my ability to deal with a \$23 million cut meant that I would have to approach that from both a revenue generation point of view and a cuts point of view. I

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

Appropriations Committee
January 17, 2017

couldn't get there any other way. And my only revenue opportunity would be that I would have to have a tuition increase in January. And that meant that I had to, a week before the board met, the third week in November, advertise it because of public meetings rules, and I couldn't wait any longer, any...I couldn't wait past the November board meeting because we would have tens of thousands of financial aid packages that would have to be corrected between that point and the beginning of the next semester. And so in a meeting that we had, the question was posed, what can you handle and not have to have a tuition increase? And I said, about half of the cut. And so we went from \$23 (million) and change cut to a \$13.3 million cut. Now this \$13.3 million cut is now increased by \$5.1 (million) because I didn't think that those dollars were going to be included in the cut. When you start...when I think about cuts, number one, I would like everybody to recognize that about 81-82 percent of our spend is on people and it's tied up in a very specific way. So I could say, and I want to be careful because I don't want to be reported that I'm thinking about making this cut, but it's a good way to help sort of explain the scenario. If we cut architecture, we said we have enough architects and if we need architects in the future we can just go to another state and bring them to Nebraska, I could save a considerable amount of money, almost \$10 million. Here's the problem. If I made that decision today, the only thing that I could do would be to stop taking architecture students and then I have a three-year runway to close that program out. And so I would burn through cash getting there. So that's, I mean, that's the story. That's how we landed at \$13.3 (million). Can we cut that out? Absolutely we'll cut it out. It will be painful but we will manage through that. The bigger concern is, and I've said this to everyone I've had a conversation with, the bigger concern is what the next biennium looks like because that becomes an enormous mountain climb. [AGENCY 51]

SENATOR STINNER: Senator Hilkemann. [AGENCY 51]

SENATOR HILKEMANN: Yeah, Dr. Bounds, on that...you agreed to the \$13.3 (million) you said, but that did not include this, the Research Initiative money. Is that correct? [AGENCY 51]

HANK BOUNDS: I asked the question and my under...you know, maybe it's my inability to communicate clearly, but my understanding was that the \$5.1 million would not be withheld. And so just so you understand how that works, we are appropriated dollars for that, \$11 million a year. And just a couple of examples, I'll pick on the Med Center. The Med Center has, back in

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

Appropriations Committee
January 17, 2017

2015, back before the end of the year, ordered a couple of pieces of equipment. One is a lyophilizer, which is a machine that allows us to preserve cells without damaging them. Our portion of that is about \$400,000. We ordered a magnet for an MRI. Those things, those custom-made pieces of equipment have not arrived yet so we've not spent the dollars, but we've obligated them. And so the idea would be, I mean you're doing a lot of HVAC work and so if the HVAC wasn't installed and you didn't pay...you had an appropriation to do an HVAC in an office and you didn't complete it by the end of the fiscal year, those dollars would be pulled back but you still have to pay for it. And that...so that's where we are. We still have to pay for these pieces of equipment. We still have to keep our commitment on matching federal dollars. We still have to...you know, we are a trusted partner with the Department of Defense. We did \$20 million, almost \$20 million in research for the Department of Defense, and we have some matching dollars. We have proof of concept money that allows us to take the dollars that we receive here and apply them toward a proof of concept on commercializing research, which then allows us to bring in revenue to the university. So, you know, at the end of the day, if you say we're going to cut you the \$5.1 million, we will figure it out. But there will be...there are consequences. And frankly, the bigger set of consequences is that it fundamentally changes how we approach being strategic. I mean, we're being smart. We're being strategic with it. We're using money over time. Because what it would tell me people is to go spend this money before the end of the fiscal year as opposed to being really smart, getting the equipment that will position us to be really successful in the research space. [AGENCY 51]

SENATOR HILKEMANN: So if I understand this correct, from what you...your illustration you just gave, if this NRI money is included in the reduction, when that magnet arrives you don't have the money to pay for it at that point. [AGENCY 51]

HANK BOUNDS: I have to cut something else to pay for it. [AGENCY 51]

SENATOR HILKEMANN: These are probably not returnable sort of things. (Laugh) [AGENCY 51]

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

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

Appropriations Committee
January 17, 2017

SENATOR HILKEMANN: Yeah. [AGENCY 51]

SENATOR STINNER: Questions? Senator. [AGENCY 51]

SENATOR McDONNELL: I know you've been here a year, but with your experience, what you're bringing to the table, has this been a fair process? [AGENCY 51]

HANK BOUNDS: You know, so the great thing about the process is we're really just starting the process. The back-and-forth, I mean I don't envy this group. I mean the decisions you'll have to make are really hard decisions. You know, you're going to have to make...you're going to have to make priorities. You're going to have to figure out how to spend money on things that matter to the future of the state. And I'm just here before you making the argument that there...you know, when you give us a dollar, we give the state back six. And if we were a stock, you would chase me out the door to try to give me money and invest in us. There's no better investment than the investment you make in the University of Nebraska or in education in general. So to my colleagues at the community college or the state colleges, I don't know how they take a 4 percent cut and continue to provide services and access and be affordable in the same way. And so have to, you know, you folks have to figure out priorities versus consequences. [AGENCY 51]

SENATOR McDONNELL: What kind of impact are we talking about to the students for the tuition hike? [AGENCY 51]

HANK BOUNDS: Well, it...so I...my ability to generate revenue during this year has passed, and so there will be no impact to students this year. Are you asking about the next biennium or about this particular (inaudible). [AGENCY 51]

SENATOR McDONNELL: Currently, with possibly then the tuition hike in the fall of 2017. [AGENCY 51]

HANK BOUNDS: So my...so based on the Governor's recommended cuts and unavoidable increases in cost, we have a budget gap of \$50 million. That's if I assume there won't be any inflation and if I assume there won't be any increase in utilities. There's no...it is mathematically

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

Appropriations Committee
January 17, 2017

impossible to, in my view, to get to that amount without significant tuition increases. I would be...it would be a little premature. We have built an incredibly robust strategy for making cuts and we are prepared to do that. We'll roll out that strategy publicly in about two weeks. We've put teams together and we'll deal with that. But I need to be clear, the university may not look the same way that it looks today. [AGENCY 51]

SENATOR STINNER: Questions? Go ahead, Senator Hilkemann. [AGENCY 51]

SENATOR HILKEMANN: Dr. Bounds, you said that the last time that you had to have the tuition increased, tell me what percentage of an increase was that, that you had during that period. [AGENCY 51]

HANK BOUNDS: So, Senator Hilkemann, I do not have it committed to memory, but I'll give you my best memory of it. [AGENCY 51]

SENATOR HILKEMANN: Okay. [AGENCY 51]

HANK BOUNDS: Over a three-year period, about 37 percent tuition increase. It lost about 1,500 students and it took five, six years to recover those 1,500 students. [AGENCY 51]

SENATOR HILKEMANN: So 37 percent over three, about approximately 10 percent a year. [AGENCY 51]

HANK BOUNDS: And don't, again, Senator, please don't hold me... [AGENCY 51]

SENATOR HILKEMANN: Yeah, I understand. Yeah, I know. [AGENCY 51]

HANK BOUNDS: ...completely responsible. I mean I'm giving you my best recollection of that number. [AGENCY 51]

SENATOR HILKEMANN: That was a good period of time for me. I wasn't paying college tuition for my kids at that time (inaudible). (Laughter) [AGENCY 51]

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

Appropriations Committee
January 17, 2017

SENATOR STINNER: I have a few questions I'd like to ask. Senator Bolz, I'm sorry, go ahead.
[AGENCY 51]

SENATOR BOLZ: You just...you got a couple here too. [AGENCY 51]

SENATOR STINNER: Oh, okay. [AGENCY 51]

SENATOR BOLZ: Go ahead, Senator Vargas. [AGENCY 51]

SENATOR STINNER: Senator Vargas. [AGENCY 51]

SENATOR VARGAS: You talked about a university-wide approach for managing budgets, hiring freezes, travel restrictions, tuition increase. Are there any other tools that you're considering using in the long term that are going to be able to potentially address this? [AGENCY 51]

HANK BOUNDS: So, Senator Vargas, I was specifically speaking to the current year...
[AGENCY 51]

SENATOR VARGAS: Okay. [AGENCY 51]

HANK BOUNDS: ...to get to the \$13.3 million number. I have to start over for next...for the next biennium. That is for a one-time cut to manage through. So, you know, the problem is budgets are set. We've obligated ourselves. We're 60 percent through the year. We have salary commitments. We have contractual commitments. We have...so I'll have two principles that will drive...or the university will have two principles that will drive how we approach this budget gap. One will be we want to do everything that we can to protect the academic integrity of the institution. The worst thing that we could do for the future of the state of Nebraska is to let a two-year downturn in the economy have a decades-long impact on our university, on our state. The second one is affordability. I grew up in a way where it was very difficult for me to go to college, and it's through that lens that I view access and affordability. But I would not be honest with this committee or anyone else if I didn't tell you that those two principles will be violated. There's no way that we get to \$50 million. We cannot "efficiency" or "tuition" our way out of

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

Appropriations Committee
January 17, 2017

\$50 million. There will be cuts. I do not think it is appropriate to do across-the-board cuts, do horizontal cuts. This really means that we'll have vertical cuts, which means programs and it certainly means a lot of people, unfortunately. [AGENCY 51]

SENATOR VARGAS: Thank you. And just as a follow-up, the Nebraska Opportunity Grant, about how many students take advantage of this grant? [AGENCY 51]

HANK BOUNDS: Senator Vargas, I don't have that number. [AGENCY 51]

SENATOR VARGAS: Okay. [AGENCY 51]

HANK BOUNDS: I can try to get that information for you. I know that...I think Dr. Baumgartner is following me. He may be...he may have better detail on that. [AGENCY 51]

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

SENATOR STINNER: Go ahead, Senator Wishart. [AGENCY 51]

SENATOR WISHART: Do you have any examples across the country of other states that have, you know, done significant cuts to their universities and the negative consequences of that? [AGENCY 51]

HANK BOUNDS: Yeah. I think those are pretty easy to find. One huge consequence is that I think everybody has done...so there's been a lot of complaint about tuition...rapid tuition increases and rapid debt increase across the country over the last decade. But the rest of the story that no one wants to talk about is that what's happened is appropriations have done this and it's a seesaw. When appropriations go down, there are only so many things that can be cut and you still look like a university. And so tuition has done this all across the country. This state hasn't done that. You haven't lived through that; I have in my former job. And so where we're 65 percent state and 30-some percent tuition, what you find is that dynamic has changed dramatically. And the unfortunate thing about that is you start pricing lots of students, and it's not just poor students, that you drive away from the opportunity to get a degree. And we know what earnings

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

Appropriations Committee
January 17, 2017

power, I mean I could go on and on and on about the power of more education. We know 70 percent of all jobs in the next decade will require some educational attainment beyond high school, and so that means, you know, community colleges, state colleges, university all have a role. But that's been the biggest, most visible sign. So debt loads have gone up dramatically. We're pretty fortunate that our debt load, while it's high, it's, you know, average, probably \$21,000. That's a big number, but it's not like it is in other places. You've seen...so what happens is people start changing the way they think about services, think about land grant. Extension and other parts of the land grant mission has changed. Those things have changed dramatically. The ability to do things across the state...states have changed dramatically and so there are lots of states that look very much like Nebraska, some urban but lots of rural, and so the kind of rural issues that we face in this state don't look any different than they do in Mississippi or Alabama or Oklahoma. You know, it's tough to take care of your youngest, most vulnerable citizens. It's tough to deliver good, quality healthcare. It's why we've made a commitment to have nurse training sites in multiple locations. But I think we have to be clear that every one of those things has to be...we have to really think through cost-benefit, whether or not we can afford to keep doing the things that we've always done. So you could do a quick Google search and come up with a hundred things that have changed in multiple states. [AGENCY 51]

SENATOR STINNER: Senator Bolz. [AGENCY 51]

SENATOR BOLZ: Two questions: The first, can you describe in a little more detail the types of jobs that are being held vacant in order for you to create the cost savings you need to get to this deficit budget request number? [AGENCY 51]

HANK BOUNDS: Sure: researchers; faculty members that are in the classroom; docs; researchers, both basic science. We are holding open Extension jobs. It's really across the board the jobs that we've held back. We've held back also service area jobs that we're really trying to be very thoughtful about how we think about this from a service perspective as one university as opposed to multiple universities. We think that that...but we know that when we make these kinds of cuts, they'll be cuts, not efficiencies, and the kinds of cuts that we're talking about won't necessarily make us more effective. It's going to impact our ability to meet the needs of the

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

Appropriations Committee
January 17, 2017

53,000 students that we serve, but it's also going to impact our ability to impact Nebraskans. So A to Z for people right now. [AGENCY 51]

SENATOR BOLZ: But...thank you. I think it's a commentary for me that it matters to me that those are good jobs and jobs that have both economic and social impact beyond the University System. So, you know, you've got a researcher who may also be able to hire a phlebotomist or a grant writer as well as those social impacts that you referenced. My other question relates to the research funds, and I don't know a lot about it but I know that research grants don't necessarily come along with my budget fiscal year. So this is really a change midstream for those researchers. Can you describe a little bit for me what some of the banner research projects that might be impacted are? [AGENCY 51]

HANK BOUNDS: Sure. So let me use a good ag example. We have the plant transformation core that's been instrumental in developing dicamba-resistant crops. We know that Nebraska farmers, Senator Watermeier, are some of the most productive in the world, and some of the research that we're doing here is helping to help us to even do more there. So I heard a story some time...I heard a saying some time ago that, you know, the farmer, when you have \$7 corn, the farmer wants to capture every kernel; when you have \$3 corn you have to capture every kernel. Taking this away is eating our seed corn because it hurts our ability to invest. And research grants don't line up in nice July 1 to June 30 time frames. They just don't. And for, you know, maybe two decades now or longer we've been investing in this way. So some of it is equipment, some...you know, it's...I mean I could give you, you know, materials, engineering, biomechanics programs, Food for Health Center. We've used these dollars to help position scientists in a way that they are more likely to be able to capture federal research dollars, whether that's NIH, NSL, USDA, or other, you know, Department of Defense. In some cases, these dollars are matching and it's...and I can't say now, I can't say to the distributor of the equipment or the maker of the equipment, I'm sorry, I was cut so I can't take the equipment now. I have to pay for it. And I have to tell the feds that my part of the match goes away. That is a cut and we'll have...we will manage it, but there's a reaction down the road, something else has to give. [AGENCY 51]

SENATOR BOLZ: Thank you. [AGENCY 51]

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

Appropriations Committee
January 17, 2017

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

HANK BOUNDS: Yes, sir. [AGENCY 51]

SENATOR STINNER: Your fiscal year end is the same as the state's, the end of June?
[AGENCY 51]

HANK BOUNDS: June 30, sir. [AGENCY 51]

SENATOR STINNER: Okay. And we talked a little bit about the fact we have leverage, economic cycles, all of that kind of stuff. And in my business, in your business, when I was on the Gering School Board, because of fluctuations or anticipated fluctuations in business cycles, we built what was called cash reserves or a cushion that would allow us to get through some of these periods. And I'm still trying to recall, but I looked at your audited financial statements, I think, two years ago. You know, you've got dedicated funds, I get that, bond funds, sinking funds, all the rest of that kind of stuff. But there was a considerable amount of...and this was at the end of June so, you know, your tuition has come in and you've paid your bills and you're into a new cycle. How much in cash reserves do you have? [AGENCY 51]

HANK BOUNDS: So it depends on when you look at the number. [AGENCY 51]

SENATOR STINNER: Yeah. [AGENCY 51]

HANK BOUNDS: Probably \$300 million is where we will stay. [AGENCY 51]

SENATOR STINNER: That was the number I was going to put out, but I wasn't sure. [AGENCY 51]

HANK BOUNDS: Some of that is so that the...so a couple of things. We're fortunate, we're not an...we're certainly not an affluent institution. We don't have the kinds of days on cash that our more affluent peers have. We're not sick either. But we are right on the edge of where we should be. Part of the things that we have to...these dollars are our first pledge against facilities core. So

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

Appropriations Committee
January 17, 2017

when we build a dorm, some of the monies are...some of these dollars aren't fungible. So housing, for example, we have bond covenants that say that every dollar that goes into housing has to stay in housing because you don't guarantee that as a state, you don't guarantee that debt. We...it's our first pledge against debt. And so we can only use those dollars, we can only use those dollars for housing. We can put a roof on a building, we can deal with HVAC, we can renovate, we can raze a building. We can build cash and put it toward the building...put it toward the debt service of a new facility so that we can bring the rates to a place where they're at a market rate. We pressure test all of those kind of things pretty hard. We do have...so the other thing is that those dollars, we just had conversations with our rating agency this morning and this conversation, when it shows up in the media, is going to get the attention of the rating agencies. So we're in a good place with our bond rating. I won't be so risk-adverse that I won't use some cash to help us through this issue. But it's just like your fund. You have X amount of cash. It's one-time money. And so I will use some, I mean cash will be part of how we get through the current year. But I can't use cash, it's got to be cuts and revenue, for the next biennium, because if I draw down too much cash then the rating agencies say to me, well, rather than having your rating here, you're here. Now so a quick math equation: if all of our debt, all of our current debt had been offered here as opposed to where we are now, just one level below, we think just the basis points that would have moved us would have caused us to be paying an additional \$5 million a year on our debt. [AGENCY 51]

SENATOR STINNER: Are you going to go back? Are you intending on going back out into the debt markets here pretty soon or some other...? Tell me how that's going to work. [AGENCY 51]

HANK BOUNDS: We will... [AGENCY 51]

SENATOR STINNER: Because you have bond covenants. I, just for the committee's purpose, your rating many times is how many days of cash you have on your... [AGENCY 51]

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

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

Appropriations Committee
January 17, 2017

SENATOR STINNER: ...financial statement that's unencumbered. Okay? That's your ability to pay your bills and provide that cushion that you're looking at. So I can't remember the...if it's a AA or... [AGENCY 51]

HANK BOUNDS: AA-1. [AGENCY 51]

SENATOR STINNER: AA-1, so that's a really good rate. So that will dictate when they go into the bond market what kind of interest rate they have to pay. I think people get that. [AGENCY 51]

HANK BOUNDS: So the next time that we will go to market will be on iEXCEL. You'll recall that we raised about \$160 million... [AGENCY 51]

(MAN FROM AUDIENCE): Hundred and twenty. [AGENCY 51]

HANK BOUNDS: ...\$120 million in private money there. But you also committed this past biennium to extend our building maintenance. And so around October-November, we'll be at a place where we'll take your \$11 million pledge, our \$11 million in tuition, pledge it to long-term debt. And so what that will mean for us is really, depending on where the market is at the time, somewhere between 10 and 12 years, I'm a little concerned about what's happened with markets over the past... [AGENCY 51]

SENATOR STINNER: Understand. [AGENCY 51]

HANK BOUNDS: ...you know, the...you know, what...so I don't...it may be less than that. But we can't move any quicker than that. I mean you understand arbitrage issues and so forth. But the point is we can move some...we can use some cash but we have to be extraordinarily careful in how we manage that phenomenon. [AGENCY 51]

SENATOR STINNER: I truly get that and I think that on a cash flow basis you have a lot of different issues over here for bond rating purposes, going to what you anticipate. And that's another part of what you have to decide: Is this the prudent time to go to the market; do we want

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

Appropriations Committee
January 17, 2017

to defer some things? I think that's what the committee is trying to get a handle on. [AGENCY 51]

HANK BOUNDS: Yeah. We're being...we know a range that we'd be willing to go to market. [AGENCY 51]

SENATOR STINNER: How many days in cash do you have to have to get your AA-1 rating? [AGENCY 51]

HANK BOUNDS: Oh, I should have that committed to memory, but I don't recall. [AGENCY 51]

SENATOR STINNER: (Laugh) I'm sorry I asked that but... [AGENCY 51]

HANK BOUNDS: And, frankly, across the university, we have different days of cash, depending on what part of the institution that you're talking about. [AGENCY 51]

SENATOR STINNER: Okay. Affordability is a big piece of what we're all talking about. Who's your competition? Where are they at in terms of tuition, what type of hike? And I think I remember somebody throwing out a 10 percent hike in tuition. Where is that going to put us in that competitive environment? [AGENCY 51]

HANK BOUNDS: Everybody is our competition. [AGENCY 51]

SENATOR STINNER: Well, I get that. [AGENCY 51]

HANK BOUNDS: The university world, we don't only compete for talent, whether we're talking about students or faculty, against people within the state of Nebraska. You can turn on the radio and hear advertisements from the University of Arizona all the time trying to recruit Nebraskans to their on-line programs. So that's...on-line has changed the world. We are in a good place. We're in a good market position in terms of how we match up to our peer institutions. And so for the Lincoln campus, their peer and the tuition rates there, versus UNO, versus UNK are very

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

Appropriations Committee
January 17, 2017

different and, frankly, the Med Center is very different from a peer perspective as well. And so if you looked at Big 10, we're significantly less than our peers. But you can't just look at, for the state of Nebraska and Nebraskans' ability to pay, you can't just look at our peers. You know, you have to consider those points. I think we also have to recognize that we live in a state that's very flat from a population perspective, and if we're going to attract the kinds of jobs, the kinds of companies that we need to be able to, you know, grow different sectors, whether it's IT or engineering or other high-end manufacturing types of companies, you know, we're doing...we have probably an appropriate market share of Nebraskans. You know, we can probably...we probably could capture a bit more, we probably could do a bit more with 25 to 35 age population. We probably can be a little more aggressive with on-line education. But the fact of the matter is if we're going to grow the state's population and we're going to grow our university, that's going to come with nonresidents and international students, and we know that some portion of them are going to stay, and we need...you know, so that's the only way that we can grow overall population. Because I think companies outside the state of Nebraska look at this state and say, you know, quality of life here is really good, I love the Nebraska work ethic, public schools are really good, but we question whether or not you have the work force that can sustain the kind of company that we would take to you. And the university and other higher ed entities are the only entities that can...we can...we will only grow ourselves out of this situation that we find ourself in. [AGENCY 51]

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

SENATOR KUEHN: Thank you, Mr. Chairman. Dr. Bounds, I just want to address one quick issue on the timing of this process and make sure I'm clear on what you've provided for us earlier today. Obviously, as behind K through 12 equalization aid and Medicaid, University System represents the third largest component of our General Fund budget. So regardless of other items which may have entered in, you still remain the largest opportunity we have to address that issue. So we've heard some testimony earlier this morning in our hearing regarding the timing of this deficit process, including one testifier actually asking us, in essence, to slow walk this process of the deficit appropriation. And earlier you spoke about the challenges that come with moving especially into the fourth quarter of your fiscal year and having to absorb an entire year's worth of cuts in a shorter time frame or in a compressed time frame. So for the benefit of the entire

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

Appropriations Committee
January 17, 2017

committee, when it comes to the timing, whether that is we advance this deficit process with due diligence as rapidly as possible for consideration on the floor so we can begin the biennial budget versus slow walking this process and extending it into another month, another pay period, what is going to be the best for you to accommodate and be able to adjust and absorb any cuts that we will be making? [AGENCY 51]

HANK BOUNDS: So this will be a...I don't mean this to sound like an over-the-top answer. The best answer would have been if I had known in October. [AGENCY 51]

SENATOR KUEHN: That's fair. [AGENCY 51]

HANK BOUNDS: So every...we are planning as though we're going to take cut. We're holding things back. And we're starting to look at how we deal with that next year. But from my perspective, the sooner we know the answer because, frankly, if it's 2.3 percent or \$13.3 million and the \$5.1 million issue that we've already committed, if it's \$13.3 (million) there's one way that I deal with it, if it's \$13.3 (million) plus \$5.1 (million) or if you decide, well, Hank, it's not going to be \$13.3 (million), it's going to be \$23.3 (million), I've got to know those things because I have...the shorter that I have...the longer that I have to deal with it, the longer that we have to deal with it as the university the better. [AGENCY 51]

SENATOR KUEHN: So just to be very clear, because we're going to have this conversation as a committee this week in terms of the speed in which we advance this, the more we delay this process, the more difficult and painful absorbing any cuts will be for the university. [AGENCY 51]

HANK BOUNDS: Particularly if the recommend...if it's above the \$13.3 (million). [AGENCY 51]

SENATOR KUEHN: Appreciate that. [AGENCY 51]

SENATOR STINNER: Questions? [AGENCY 51]

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

Appropriations Committee
January 17, 2017

SENATOR McDONNELL: Can you talk a little bit about the Cancer Center, the public-private investment in that and the return on that investment? [AGENCY 51]

HANK BOUNDS: I would love to talk about the Cancer Center. (Laughter) Let me give you some facts here if I can pull them up. Cancer Center is obviously an enormous project, \$323 million. The Legislature gave us \$50 million of \$323 (million). City of Omaha gave us \$35 million. Douglas County gave us \$5 million. We'll issue \$73 million in bonds. We have \$160 million in gifts that are pledged over time to cover those bonds. The day that it opens it will have a \$125 million impact and will employ 1,200 people. But here's the more important statistic about the Cancer Center. If you cut this room in half, at least 50 percent of this room is going to be impacted by cancer in your lifetime. And we will have one of the most technologically advanced cancer treatment and research centers in the world. Everybody is going to be impacted in some way by you individually or...so it's...I think it's a real point of pride, should be a real point of pride for those of you in the Legislature that were involved in appropriating those dollars and certainly should be a point of pride for Nebraskans. And it obviously is for the university. [AGENCY 51]

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

HANK BOUNDS: Thank you, sir. Thanks to the members of the committee. [AGENCY 51]

SENATOR STINNER: I've lost complete control on the schedule so... [AGENCY 51]

SENATOR HILKEMANN: I got the community colleges next. [AGENCY 51]

SENATOR STINNER: Anybody else from the University of Nebraska? Otherwise, I believe we're at the community colleges. [AGENCY 51]

SENATOR BOLZ: Oh, Senator,... [AGENCY 48]

SENATOR STINNER: Yes.

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

Appropriations Committee
January 17, 2017

SENATOR BOLZ: ...point of order, Senator Stinner. I think the Coordinating Commission is prepared to testify and they were on our list.

SENATOR STINNER: Well, like I said, I've lost complete control of the schedule. (Laughter)

SENATOR BOLZ: That's okay. I'm just trying to make sure they have their opportunity.

SENATOR STINNER: I've got a...somebody give me a current schedule, will you?

SENATOR HILKEMANN: Here it is.

SENATOR WATERMEIER: Everybody has an agenda.

SENATOR HILKEMANN: Here you are. There you are. There you are.

SENATOR STINNER: I'm sorry.

MIKE BAUMGARTNER: (Exhibit 51) Mr. Chairman and members of the Appropriations Committee, thank you for the opportunity to appear before you today. My name is Mike Baumgartner, spelled M-i-k-e B-a-u-m-g-a-r-t-n-e-r, and I'm the executive director of the Coordinating Commission for Postsecondary Education. Coordinating Commission for Postsecondary Education is given a number of duties in the Nebraska Constitution and statute, but I will only address the following today, briefly: creating and putting into action a comprehensive statewide plan to guide Nebraska's higher education system, administering the Nebraska Opportunity Grant program, administering the Access College Early Scholarship program, and administering the Oral Health Training and Services Fund. The statewide comprehensive plan for postsecondary education, which the commission recently revised, puts a high premium on college affordability through fair, reliable, and adequate financial support for our colleges and universities; financial aid programs for needy students; and system efficiency and accountability. Affordability is paramount to both college access and to the completion of the credentials that will meet the demands of Nebraska's economy. Nebraska stands out compared to other states in its commitment to college affordability but cannot rest on its laurels.

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

Appropriations Committee
January 17, 2017

There is still a wide gap between college attendance and low-income and non-low-income high school graduates in Nebraska. And as elsewhere, many Nebraska students must borrow significant amounts to complete their degrees. Coordinating Commission appreciates the thoughtful approach you are taking to close the state's budget gap, and my comments to you on the impact of LB22 on the Nebraska Opportunity Grant and Access College Early Scholarship are meant simply to inform your deliberations. Nebraska Opportunity Grant is the state's need-based financial aid program for Nebraska resident undergraduates attending public, independent, and private for-profit institutions who have financial need determined by a federal methodology used to determine Pell Grant eligibility. NOG is what we called a decentralized program. Institutions receive funding based on statewide share of eligible students and distribute funds to eligible students at their discretion within the regulations of the program. Last fiscal year 13,739 students received a NOG award out of 42,576 eligible students. The average award was \$1,225. NOG is funded through the lottery at \$10.1 million and state General Funds at \$6.9 million. LB22 will reduce the General Fund appropriation by \$274,726, but does not affect the lottery-funded portion of the program. As the program is decentralized, the colleges and universities will ultimately determine how to spread the proposed reduction among eligible students. But if I put it in terms of the average 2015-16 grant, the reduction will mean 225 students will not receive awards or that looking across, all 13,000, almost 14,000 students would see a reduction of awards by \$20. But again, that's...it is the discretion of the institution and they will have to put that into effect. The Access College Early Program provides scholarships for low-income high school students taking dual-enrollment courses and early-admit college courses at Nebraska colleges and universities. These courses give students a head start on college, saving them time, money, and demonstrating to them that they are college material. More than 86 percent of ACE students go on to college, compared to 77 percent of non-low-income students and about 53 percent of low-income non-ACE recipients, so more than 30 percent difference between those that take the courses and those that don't among low-income students. Last year, 1,894 low-income high school students from 240 high schools across the state received 3,575 ACE Scholarships. Many students take more than one course for which they receive aid. The average award per scholarship is \$228, so that's per class, generally a three credit-hour class. In 2016 the Legislature increased the 2017 fiscal year ACE General Fund appropriation from \$735,000 to \$985,000, which would add 1,100 scholarships at the average amount to the program. The \$39,400 reduction included in LB22 will reduce the number of scholarships awarded by 174

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

Appropriations Committee
January 17, 2017

based on 2015-16 average award. I should add that we had 600 students turned away last year and that's before they were told that we were not going to be able to make awards any longer. So there is a large pool of students there and this will affect them as well. Let me move on to the Oral Health and Training Grant Fund briefly. LB661 was passed in 2015 to provide \$8 million to professional dental education institutions to provide oral health training at a reduced fee to students who agree to practice dentistry for five years in a shortage area, provide discounted or charitable oral health services for a minimum of ten years, and provide oral telehealth services. Institutions are required to match the state funds in that program on a 4-to-1 basis. Since the contracting institutions will be required to provide services for ten years and report on the use of both state dollars and match dollars, the commission will be required to monitor those contracts for ten years. As LB661 was originally written, the interest earnings would remain in the Oral Health Training and Services Fund and provide sufficient funding for the commission to monitor the contracts over the ten years. However, LB23, Section 17(8) requires that any amounts in the fund not awarded by contract prior to February 15, 2017, be transferred to the Cash Reserve Fund. Our understanding is this language was included prior to the commission receiving proposals and was intended to transfer to the Cash Reserve any amounts of the original \$8 million that were not going to be awarded. The commission has received two proposals with sufficient match dollars to award the entire \$8 million and intends to make the awards prior to February 15. However, LB23, as written, would take most of the interest earnings to the Cash Reserve Fund and so they would not be available for administrative costs beyond approximately two years. The commission requests that Section 17(8) be removed from LB23, allowing the interest earnings to remain in the Oral Health Training and Services Fund to ensure sufficient funding to monitor the contracts over the ten years. With those three points, our ACE, NOG, and Oral Health Program, I would be happy to respond to any questions that you have. [AGENCY 48]

SENATOR STINNER: Questions? Senator Hilkemann. [AGENCY 48]

SENATOR HILKEMANN: The question on the Oral Health here now, all of the original \$8 million has been applied for. Is that correct? [AGENCY 48]

MIKE BAUMGARTNER: That's correct. [AGENCY 48]

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

Appropriations Committee
January 17, 2017

SENATOR HILKEMANN: Not necessarily distributed. [AGENCY 48]

MIKE BAUMGARTNER: That's correct. [AGENCY 48]

SENATOR HILKEMANN: Okay. And so there, I think, as the request came from the Governor's Office, it was that portion that was not already requested. Is that correct? [AGENCY 48]

MIKE BAUMGARTNER: That portion that was not awarded, I believe. [AGENCY 48]

SENATOR HILKEMANN: Is there going to be any apportion that was not awarded? [AGENCY 48]

MIKE BAUMGARTNER: No, there won't be because the match already exceeds...the 4-to-1 match already exceeds the \$8 million. [AGENCY 48]

SENATOR HILKEMANN: Okay. Okay. So...and so what you're asking here is just simply to be able to even keep the interest that that money would... [AGENCY 48]

MIKE BAUMGARTNER: Yes, so that we'll be able to draw on that over the next ten years to... [AGENCY 48]

SENATOR HILKEMANN: And that's so you can continue to monitor that program. [AGENCY 48]

MIKE BAUMGARTNER: Right. Right. [AGENCY 48]

SENATOR HILKEMANN: So no students are going to be hurt by this. [AGENCY 48]

MIKE BAUMGARTNER: No. No, the \$8 million will be awarded and... [AGENCY 48]

SENATOR HILKEMANN: Okay. Thank you. [AGENCY 48]

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

Appropriations Committee
January 17, 2017

MIKE BAUMGARTNER: Yeah. [AGENCY 48]

SENATOR STINNER: Any other questions? Thank you. [AGENCY 48]

MIKE BAUMGARTNER: All right. [AGENCY 48]

SENATOR STINNER: Okay. Just tell me where we're at. We got Nebraska...

SENATOR KUEHN: You can go up to NET or you can go down to community colleges.

SENATOR STINNER: I'm going to go down. I'm going to go down to community colleges.
[AGENCY 83]

GREG ADAMS: (Exhibit 52) Good afternoon, Senator Stinner and members of the Appropriations Committee. I'm Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Nebraska Community College Association. Because of the late hour, I'm going to abbreviate my testimony because I suspect a lot of what you've already heard I would just simply be repeating, although our priorities within the community colleges are a bit different. First of all, we realize, within the community colleges, like everyone else in the room behind me, that you have a difficult task ahead of you. We understand that and we fully intend and are prepared and are doing what we have to do to be part of the fix. I could go through a list of things that currently our colleges are doing. Ever since October they've begun to look at different means for current year and it is difficult, given the commitments that they've made but using a variety of things internally. And it affects different colleges differently. A Metro versus a Western, we're different all across the board in terms of financial situations and a variety of other things. But they're prepared to do what they have to do in the current year. I would tell you this, and I'm preaching to the choir, I know that I am, but I'd be negligent to the colleges that I represent if I don't say something about it. You have a task to perform to make this budget balance. We understand that. The Legislature gave to the community colleges a task as well and we've prioritized that task and we fully intend to do what we can with the resources that we have available to us. Statutorily, we are to provide a work force, career and technical education, which is our priority. And you can see from the data sheet that I hand out that is where most of our degrees are awarded. Let me add

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

Appropriations Committee
January 17, 2017

to that. We are open access by statute. We take all comers. There's no ACT or SAT. We take all comers and we try to get them into their programs and eventually get them to a job. Secondly, the statutes say that we should provide transfer credit, and we do that. It's not our highest priority, but it is a priority and we do that. We are the gateway. Like Chancellor Carpenter said of the state colleges, community colleges quite often are the gateway, particularly to first-generation students or students that can't afford other tuition, to come to the community colleges and find out, I can do more, I can go on to the four-year. And with our transfer agreements that we're working very vigorously on with all of our public institutions, that's becoming easier and easier. Affordability has always been...access and affordability has always been a hallmark of our community colleges--that's why the three-legged stool in terms of our funding--and responding to what the community needs. You know, I heard this said once and I'm more convinced than ever before. The community colleges are not only the trainers but literally for many, many, many businesses across Nebraska we are their HR department, the community colleges. So we are prepared to do what we have to do. We're looking primarily right now at the current year like you are, but certainly we will be back in front of you, as you prepare the biennium appropriation, and making our case. The data sheet that I handed out to you, I put that together. In a way, I tried to put myself in your place: If I were back here again, what quick things would I want to see about the community colleges? I know I might have a million other questions, but I could sit down with the CEO of the community college within my legislative district and ask or I could ask Adams. I'll find out. But those are the quick numbers and you can see we're doing your best to meet our priorities. It just gets, when we don't have the resources, it gets that much tougher to do. And we already know, and you do too, particularly within your legislative districts, there's already gaps in what the demand is of your employers versus what our colleges are capable of producing. I'd try to field questions that you might have. [AGENCY 83]

SENATOR STINNER: Questions? Thank you. [AGENCY 83]

GREG ADAMS: What a presentation I must have had, Senator, huh? (Laughter) Thank you for the time this evening. [AGENCY 83]

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

Appropriations Committee
January 17, 2017

SENATOR STINNER: Okay. We've got the Department of Economic Development. Nobody is here for the Department of Economic Development, so let's move to the Nebraska Library Commission. I think they sent in a letter, didn't they? [AGENCY 72 AGENCY 34]

SENATOR KUEHN: Uh-huh. [AGENCY 47]

SENATOR STINNER: Here you go, Department of Education. Thank you. [AGENCY 13]

MATT BLOMSTEDT: I'm waiting for the thumbs up and then away I'll go. [AGENCY 13]

SENATOR STINNER: Absolutely, go for it. [AGENCY 13]

MATT BLOMSTEDT: (Exhibit 53) All right. First of all, I appreciate the opportunity to be here in front of you today. I have written out several different points that I will try to walk you through. I guess I should start with the first point. I am Matt Blomstedt, Commissioner of Education, Blomstedt is spelled B-l-o-m-s-t-e-d-t. So number one, I thought taking just a couple minutes on the Department of Education as a whole is an interesting mix of federal and state programs, right? From a state perspective, we have about, if you look across the whole agency, about 33 percent of the agency is funded by state dollars and about 66 percent, or roughly the other two-thirds, is funded by federal dollars. And so when you look at that as a whole, there's a lot of different types of mixes, leveraging that we try to accomplish with state funds and federal funds. Another interesting part of the Department of Education, if you're not familiar, is that about 60 percent of the Department of Education is actually Vocational Rehabilitation and Disability Determination systems. So I highlight that just for your...kind of your background as part of that mix. And then as I go through a few different comments, that might make a little bit more sense. Anyway, I have put in front of you a document--looks something like this--gives you a sense of some of our analysis, and I thank our team for working on some of this analysis, of what LB22 actually means for us. It's broken out into kind of two different themes: what the carryover reappropriation cuts would be--I'll go through what we think are somewhat the consequences of those particular cuts and how we can or can't withstand certain cuts; and then the second part of that is obviously looking at current appropriations and how we can handle the 4 percent cuts that are proposed, and again I'll talk through each one of those in some detail. If

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

Appropriations Committee
January 17, 2017

you flip to the first page, you'll see that I start essentially with Program 025 and Educational Administration, kind of our general operations, pieces of that. And what I would say is generally the proportion of the reductions that you're talking carryover funds are something we can withstand. I will want to highlight our long-term standing relationship with the Appropriations Committee has been to allow us to use carryover funds for prudent management purposes, right; that we don't want to be an enemy or simply spending funds because you wouldn't reappropriate them in the future. And that's an important part of the relationship I think with agencies and the Appropriations Committee over all. So I wanted to highlight that. The next thing I have on that list is actually Statewide Assessment and I want to highlight this because roughly of all of our carryover funds this was the vast majority of those. And if you look at the three or, excuse me, the \$6.8, almost \$6.9 million in carried over appropriations funds, there's a cut, proposed cut, of about \$3.6 (million). About half of that, again, if we're doing our math the way that the analysis really comes through, is about half of that, around \$1.8 million, would be a cut in Statewide Assessment dollars, earmarked in the past, appropriated by the Legislature for those purposes. We accumulated those funds, just so you know, in part because we're in a mode of trying to transition to a new State Assessment system, thinking differently about state assessment. There were bills passed: LB930 last year in the Legislature was passed to implement statewide assessment of ACT, really trying to meet our college and career readiness requirements for the future. And we thought that's really an important part of that, but also looking at what we do for grades 3 through 8 for the future and really talking about how important state assessment is in a different way, not just for accountability for the future but honestly for why we run the education system in the first place--to ensure that students are learning and so they can be successful in their own futures. And so State Assessment is...would...underneath this would take a substantial cut. Now here's my uncertainty. I don't know a couple things right at this moment in time. One is we have an RFP out for a new grades 3 through 8 assessment. That RFP will close on February 1. We'll have a better sense of what that total dollar amount will look like and, obviously, we will try to package that and ask for the appropriate level of funds when we're looking forward. But we would want to make sure that there are substantial funds there or necessary funds there to be able to carry out that because it's a statutory responsibility and we, obviously, think a statewide assessment is important for accountability and other things. Another part of the equation, however, is LB930. When that was passed it included a provision that would allow the Department of Education to, for lack of better terms, claim funds out of the lottery funding

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

Appropriations Committee
January 17, 2017

source, which has been renamed the Nebraska Education Improvement Fund. Roughly, the cost of the ACT on an annual basis statewide for 11th graders is about in the \$1.4 million...approximately about that amount of money. What we could do, and it's allowable under current law, is use those funds to...use part of those funds to be able to do that and fill part of this gap that might be created by cutting the reappropriation. The problem, one problem with that, is we were also asked to distribute lottery funds for grant purposes for these particular funds. I asked the State Board, because last...I guess it was on January 5 or 6, whatever the right date is the State Board met and I asked them to actually delay granting those dollars out, thinking that we had just looked at LB22 and said, whoa, is the message that we ought to be responsible and think differently about that? So I've delayed that decision pending our conversations, I guess, here today and, in part, trying to be responsible to make sure if the message is, hey, look, tap those other funds, help move us forward on that, we would not want to grant funds going forward that we couldn't otherwise commit to if that was the case. So, obviously, trying to be responsible with that. So that's one part of the puzzle that we need to work on. Under Program 025, we also have accountability. Accountability in Nebraska was passed. Actually you saw former Senator Adams up here speaking. It was his bill on LB438, passed in 2014, asked the Department of Education to create a new accountability system. Lots of things are happening around accountability right now. New federal laws are taking place, other things along those lines, so we're shaping that. What I would tell you is the accountability dollars that came with LB438 were actually appropriated a year before they were needed and, therefore, that's what created some additional dollars for carryover. I will tell you we can withstand that particular cut. So I think that would actually be appropriate. Puts us in a tighter position for planning, but I understand that. The next part is, Program 025, Step Up to Quality. Underneath Step Up To Quality, the particular act, the Step Up to Quality Child Care Act, similar to what happened with accountability. When it was passed in 2013, funds were appropriated essentially a year before they had to be expended, and that created a year-to-year carryover. Again, we believe that those funds, we can withstand having those funds cut from us at this moment in time, knowing that we have to ask for funds continuously in the future. But that particular cut could be withstood. Underneath Vocational Rehabilitation, back to my point about leveraging federal funds and state funds, Vocational Rehabilitation is roughly a 1 to...I guess it doesn't even have to be roughly, 1-to-3.69 state-to-federal match in dollars. So the proposal would actually cut \$253,000 of carryover funds which were planned with the intention of being able to leverage in the timing of

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

Appropriations Committee
January 17, 2017

federal funds, and so we know that that will have a significant impact on what we can leverage. Again, I'm not here to say absolutely don't cut it. I'm here to say that having some thoughtful conversation around is that the type of investment you want to make. I think we make our point also that when you think of that, combined with the next year's also 4 percent cut on those funds, it's the same issue, right, that there's an opportunity to match those funds against federal. And so I want you know and understand kind of the consequences of that particular cut and I'd ask you for careful consideration of those ramifications. When you look at the reductions, the other reductions in 2016-17 appropriations, those 4 percent cuts across the board, so to say for the most part--there's one exception to that--but those 4 percent cuts across the board, generally, we think we can find ways to accommodate. And again, not because I want to, not because it's easy to make different cuts, but there are choices to be made around what we can sustain going forward. And again, we propose certain things that might be cut as a result of that. Now I will tell you, there will be advocacy for "don't cut that," "don't cut that." You will hear that. That's your ballgame as well. But the reality for us is we think we can do that. However, there are kind of activities that we're trying to identify that better align for our future of the education system. We've just recently, the State Board has passed a strategic plan. Our intent is to organize and "operationalize" that strategic plan, making sure that we're making investments along those lines for the future. And we're going to ask you and continue to engage you in conversations about how we would do that most effectively, even in a point of time of cutting. Programs 401 and 402, I want you to understand, underneath those you'll see that those are both essentially services for deaf and hard of hearing and services for visually handicapped. I believe for the most part the cuts that we would sustain on those at a 4 percent rate, we would have to find other funding sources for. For example, Nebraska no longer has a School for the Deaf. We contract with Iowa for many of those services. That just depends on the number of students that are ultimately going there and what we have to accomplish on that front. And so again, I'd ask you for at least some consideration of how we go about doing that because we would have to make other particular cuts to make that possible. When I think about the blind and visually impaired, we have a Nebraska Center for the Visually Impaired down at Nebraska City. Again, that's a contractual arrangement with ESU 4. We also provide services statewide underneath that. Again, one of those issues of 4 percent cuts there mean we have to think very differently about that relationship and figure out if we can leverage other funds for the future. Obviously, as I think about other types of...other aid programs that we have, Program 158 is, as you know, we're not touching

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

Appropriations Committee
January 17, 2017

TEEOSA in the current fiscal year, so LB22 doesn't address that particular issue, but there were other aid programs that it did address. I would just want to highlight that there's a proposed outright elimination of the Master Teacher Program in the current year. We do have teachers that have signed up in the current year, right, and have actually paid fees and other things. There are dollars that are reappropriated from the prior year application. I think it's roughly \$134,000 that are carried over from the prior year. Given the demands on that program, we could pay out with those dollars about 30 cents on the dollar for the teachers that participated this year. Again, it could be...the cut in the future years, we would haven't new applicants and, therefore, not necessarily an obligation. But there is an obligation in the current year, but there is a pro-rata distribution available to us if that's the decision. Then ultimately the other 158 Program aid distributions, there are some aids that were actually already fully distributed. Some of those aids are listed here below: the Learning Community; the ESU Coordinating Council, their portion of the ESU aid was already distributed in total; the ESU Distance Education Funds; and High-Ability Learners. All those have been completely distributed. Taking a 4 percent cut on those, I don't know how that would actually work. We'd have to ask them for money back, right, so we...I think that's something we'd have to...and our staff is certainly willing to work with you on what those precise calculations would be. I wanted to touch just a little bit on looking forward. I talk to my staff a lot about, well, one shoe dropped with LB22 and we waited for last week to see what the other shoe, so to say, was, right? It's important for us to think about 4 percent cuts and sustaining those going forward, and the Department of Education, like every other agency, proposed budget modifications and things. Some of the budget modifications we proposed were thinking about ongoing 4 percent cuts, right, that we had heard the rumblings of what that would look like. So some of those cuts were actually proposed with that in mind going, hey, look, that's what we would do if there was ongoing cuts. What happens in the proposal, as it is...from the Governor--I forget now, is it LB324 (sic--LB327), anyway, the right bill number--the reality for us is some of those cuts kind of double-up on us. The cuts against the High-Ability Learner position, the cuts on the Multicultural position. Again, positions I don't want to cut but we put them up as current vacancies that we could have cut at that point in time and the State Board decided that. Unfortunately though, if we take a 4 percent in the current budget year and that becomes our new floor, right, those are cuts in and above that, so far beyond the 4 percent cut then for us because those two positions alone are about another 2 percent, are equivalent of about another 2 percent of our General Fund for Program 125 (sic--025). So when I think about the

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

Appropriations Committee
January 17, 2017

longer term position of the...I've asked several times, by the way, and I...this is only my...seems like longer, but it seems like, but this is only my second biennium. I've made requests, the department has made requests around particular investments in data systems and thinking differently about what an agency needs to look like going forward and how we build this appropriately. And so we've asked for a lot of different funding and thinking of different ways where we'd work with you. One of the things I've asked for in the past was thinking about how we use PSL, how we use personal service limitations, as an agency. One thing that's happened over a period of time is there's a lot of long-term contractual work that I would like to consider shifting to employees in the long run, thinking that that will be more efficient and effective for us, more appropriate for long-term activities, and an opportunity for us to have that conversation with you. The struggle is, without knowing that PSL is there, you can't start to make those decisions. And so I think it's a conversation that I want to have with the Appropriations Committee, working forward with the Governor and others, because I think that's prudent management for us as we look at the future. I also think that there are other things that are there and two quick examples: one was the Education Commission of the States that there is a proposal--and, again, it came out of our budget modification, so I'm completely to blame--but to shift that to indirect cost funds. Well, indirect cost funds are essentially those funds that are federal funds that are used to manage the 66 percent of the agency, right, that it gives us a chance to be able to do that. If we shift state obligations to federal funds, that starts to become a problem for us in the long run. Eventually, that becomes problematic and we...and something else that we have to think about. And I think that's something else I want you to think about. The last one that I had on my list is the Council on Student Attendance is something that we put up as a budget modification and, again, something to include. I will tell you, I sit on many different councils, commissions, and have an opportunity, and there are important conversations. Many of them are things that started here in the Legislature and were asked for. But I think in the long run it would be prudent to think about sunset dates on any such activities because the turnover of conversations and people is actually really important. And I think when you see, and I look at it, there's a lot that we committed even though the dollar amount for that particular council is paying expenses for people to show up. Well, it takes a lot of our staff time, too. And as I make other staff cuts, I have to begin to prioritize where we spend our staff time and that becomes quite important for us. So again, I'm here mostly to walk you through all of those different things. I will tell you, it's great to be a Nebraskan and sit in a room like this and have

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

Appropriations Committee
January 17, 2017

conversations where I can say Hank Bounds is my friend, Stan Carpenter is my friend, Greg Adams is my friend, Mike Baumgartner is my friend. If the other agencies were here, I could say the same thing about their agency heads, right? It's a unique place for us to be and I think a unique place for all of you to be. But I know there's heavy lifting to do. We try to contribute to that conversation in a meaningful way. I'm proud of the education system in Nebraska. You ought to as well. And I don't mean just K-12 but pre-K through 20. We've done great things here. I appreciate what you do. I would take questions from you if you had any. [AGENCY 13]

SENATOR STINNER: Thank you. Senator Hilkemann. [AGENCY 13]

SENATOR HILKEMANN: Mr. Commissioner, on this Master Teacher Program, a couple of questions. How many teachers are presently doing this program, assuming that...not assuming but told that they would get \$5,000 at the end of this program? Do you know that number? [AGENCY 13]

MATT BLOMSTEDT: We have...it's roughly or about not quite 70 yet, just under 70 I believe. (Inaudible). [AGENCY 13]

SENATOR HILKEMANN: So you have about 70 teachers. And you say that you've got...you've got... [AGENCY 13]

MATT BLOMSTEDT: About \$134,000 is what I think we had to be able to payout in a carryover. So that's about 30...we had about a \$340,000 estimate if current teachers in the program would be there. So it would be 68, must be, right? [AGENCY 13]

SENATOR HILKEMANN: So how much...now this, we've been called to eliminate this program entirely. What would be the number that we would need to make our commitment to those teachers who have started this program? Are you... [AGENCY 13]

MATT BLOMSTEDT: About \$200,000 I think, so. [AGENCY 13]

SENATOR HILKEMANN: Approximately \$200,000? [AGENCY 13]

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

Appropriations Committee
January 17, 2017

MATT BLOMSTEDT: Yeah, to make the whole... [AGENCY 13]

SENATOR HILKEMANN: That would have to be what would be leftover? [AGENCY 13]

MATT BLOMSTEDT: Yeah, to make... [AGENCY 13]

SENATOR HILKEMANN: That could... [AGENCY 13]

MATT BLOMSTEDT: No, that would...in addition to what the carryover is. So there would have to be \$200,000 more than what LB22 would propose for this current year. [AGENCY 13]

SENATOR HILKEMANN: But you already have some money here. [AGENCY 13]

MATT BLOMSTEDT: \$134,000. And the commitment we have is about \$340,000, so.
[AGENCY 13]

SENATOR HILKEMANN: Okay. [AGENCY 13]

MATT BLOMSTEDT: I mean that the 68 teachers that are in there, to pay them out \$5,000 each, right, gets you to the \$340,000. And we have approximately \$134,000 left for carryover to make those payments. [AGENCY 13]

SENATOR STINNER: Just to make sure the record reflects this, we are not trying to eliminate the program. It's defunding right at the moment. Program is in statute, has been in statute for quite some time, and I think that it was last biennium or somewhere (inaudible)... [AGENCY 13]

MATT BLOMSTEDT: Just last biennium. [AGENCY 13]

SENATOR STINNER: ...when Kate Bolz brought in a funding bill for this, so. [AGENCY 13]

SENATOR HILKEMANN: Yeah. I'm sorry, I used the wrong term there. But to properly...
[AGENCY 13]

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

Appropriations Committee
January 17, 2017

SENATOR STINNER: Just I wanted to correct the... [AGENCY 13]

SENATOR HILKEMANN: ...not...yeah,... [AGENCY 13]

MATT BLOMSTEDT: It actually... [AGENCY 13]

SENATOR HILKEMANN: ...especially when I used that term. But we would need to, to properly fund it, we would still need \$200,000. [AGENCY 13]

MATT BLOMSTEDT: Right, for the... [AGENCY 13]

SENATOR HILKEMANN: Okay. [AGENCY 13]

MATT BLOMSTEDT: ...in addition to what we have in carryover (inaudible)... [AGENCY 13]

SENATOR HILKEMANN: Okay. [AGENCY 13]

MATT BLOMSTEDT: ...for the...and what I want you to understand, that's...I mean and Master Teacher Program existed for a long time, had not been funded until Senator Bolz had been able to advocate for that. [AGENCY 13]

SENATOR STINNER: Questions? Senator Bolz. [AGENCY 13]

SENATOR BOLZ: I just want to be clear about the information you're providing to me, starting with Program 351, Vocational Rehabilitation. I do think in terms of service provision and bang for our buck, it's concerning that we're losing...essentially losing significant dollars in federal funds. So the 4 percent loss of approximately \$200,000 would match \$737,000 in federal funds. So we're talking \$900,000 total loss from the Vocational Rehabilitation Program as a whole if we move forward. What does that mean in terms of service provision, in terms of helping people? [AGENCY 13]

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

Appropriations Committee
January 17, 2017

MATT BLOMSTEDT: Yeah, the estimate from our team was roughly 600 to 700 individuals across the state that would receive benefits if it was that amount of money, so. [AGENCY 13]

SENATOR BOLZ: Uh-huh. [AGENCY 13]

MATT BLOMSTEDT: And again, I'd have to bring Mark Schultz in as our director of VR to be able to detail that a little bit more, but that's what he shared with me. [AGENCY 13]

SENATOR BOLZ: And those are individuals with developmental and other kinds of disabilities... [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR BOLZ: ...who are trying to engage in the work force, trying to build up their own earning potential. [AGENCY 13]

MATT BLOMSTEDT: And job retraining and other things due to disability, yes. [AGENCY 13]

SENATOR BOLZ: Right. And so one of my concerns is how this intersects with our developmental disability system. And, you know, we've had some challenges within that system and it seems to me that in terms of being able to serve our developmentally disabled population, trying to use this system can help buffer some of the challenges that we're seeing in... [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR BOLZ: ...developmental disability system as a whole. Is that an accurate assessment? [AGENCY 13]

MATT BLOMSTEDT: Yeah, it's definitely accurate. And by the way, I mean we and our team spends a lot of time working with folks in Disability Determine...I mean in developmental disabilities and others across HHS and continue to do that work. And even we put a request in

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

Appropriations Committee
January 17, 2017

our budget that I'm going to have to probably explain to you next time I'm here in a little more detail but of some ways that we could actually work together with HHS to better leverage for federal funds in the future. [AGENCY 13]

SENATOR BOLZ: Uh-huh. I appreciate that and I should probably say, for the record, I work in the developmental disability field and my organization does receive some small amount of grant funding from Vocational Rehabilitation, for the sake of transparency. But... [AGENCY 13]

MATT BLOMSTEDT: I didn't even know that. (Laugh) [AGENCY 13]

SENATOR BOLZ: Well, it is what it is. Just being transparent. I don't think that any of that relates to the issue that we have in front of us. I think my only other question is related to, just so I'm clear, Program 158 Aid has been completely disbursed related to Learning Community, ESU, Distance Education, High-Ability Learners. So that would be a real challenge working with those local entities. [AGENCY 13]

MATT BLOMSTEDT: Yeah. We could actually do a calculation of those that have already been distributed and those that would be otherwise problematic to... [AGENCY 13]

SENATOR BOLZ: Uh-huh. [AGENCY 13]

MATT BLOMSTEDT: ...withhold 4 percent of funds relative to the aid appropriation.
[AGENCY 13]

SENATOR BOLZ: Okay. I just...I wanted to be clear. That sounds like it could be awfully...
[AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR BOLZ: ...difficult and would be challenging. [AGENCY 13]

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

Appropriations Committee
January 17, 2017

MATT BLOMSTEDT: I mean I would...I guess if you pushed me to a recommendation I would say, hey, look, with...don't cut those back because those checks have already been cut. We'd have to go through an exercise...I'm not even sure we legally can, to be honest. I'm not sure how that would work, so. [AGENCY 13]

SENATOR BOLZ: Very good. Thank you. [AGENCY 13]

SENATOR STINNER: Any other questions? I just have one question for you then. Back to Kate's question, Senator Bolz's question, excuse me, if you're having a match of that much money and it means that many lives, couldn't you repurpose something within your budget to make sure you don't give up that money? [AGENCY 13]

MATT BLOMSTEDT: Well, most of our funds are actually earmarked for other purposes, right, so... [AGENCY 13]

SENATOR STINNER: Okay. [AGENCY 13]

MATT BLOMSTEDT: ...the appropriation for VR itself is specific for VR. And so for us to be able to move other particular funds to accommodate that from our K-12 side, I mean it would be difficult. And I can't match federal funds with federal funds, so that also would be difficult. And so I mean there may be some other ways, you know, I'm not saying there's no possible way, and probably angles that we can look at, including actually our partnership with HHS around fronts that I think would be important, so. [AGENCY 13]

SENATOR STINNER: I'd sure hunt for a place to fund it. [AGENCY 13]

MATT BLOMSTEDT: We always are going to hunt, so. [AGENCY 13]

SENATOR STINNER: Okay. [AGENCY 13]

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

Appropriations Committee
January 17, 2017

MATT BLOMSTEDT: I saw Mark Schultz, who's our director of VR, just on the way out and he stopped me and I could barely get away to make sure...I thought I might be late but it wasn't a problem as it turned out. (Laugh) [AGENCY 13]

SENATOR STINNER: Well, thank you. Senator Bolz. [AGENCY 13]

SENATOR BOLZ: I'm sorry. I can't help myself. Just a commentary on that is I appreciate the idea that we should look for every avenue possible,... [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR BOLZ: ... completely agreed, but I feel compelled to point out that we're also looking at proposed operations cuts and aid cuts in HHS. And so while that's an appealing idea, it's difficult in practice. [AGENCY 13]

SENATOR STINNER: Thank you. Thank you. [AGENCY 13]

MATT BLOMSTEDT: Thanks. [AGENCY 13]

DAVID LUDWIG: Ready? [AGENCY 13]

SENATOR STINNER: Please. [AGENCY 13]

DAVID LUDWIG: (Exhibit 54) Okay. Well, good afternoon. Appreciate the opportunity of being here. For the record, I'm David Ludwig, D-a-v-i-d L-u-d-w-i-g. I serve as the executive director for the Educational Service Unit Coordinating Council. For 34 years I've been blessed to serve as an educator within the state of Nebraska, and for 30 years I've served in the capacity of administrator. And prior to my three years in this capacity, as the ESUCC executive director, I served for four years as the administrator at ESU 2 in Fremont. And prior to that, for 19 years I served as an administrator within the ESU 2 service area. So during that time I understood the value of a collaborative and cooperative system to provide efficient, effective services for students that we served. For 50 years ESUs have been working closely with school districts and

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

Appropriations Committee
January 17, 2017

the Nebraska Department of Education, providing efficient and effective services. And since the inception of ESUCC, the ESU Coordinating Council, through LB603 beginning July 1 of 2008, the duties of the council include provision of strategic plans to assure cost-efficient, effective, and equitable delivery of services across the state. And as defined in the defined vision within 79-1246, ESUCC and the ESUs do just that. There are many examples I want to provide of the efficiencies that we provide through the Coordinating Council with ESUs, in collaboration with NDE. I want to point out three specifically, the first one of which is our statewide cooperative purchasing program that's been in existence for the past 43 years. As a result of this service and our collaborative efforts, we had a savings for school districts and ESUs during the past two years which equaled \$8.9 million. A second example references the support for technology essential to enhance teaching and learning. Within ESU 3 located in La Vista, the technology infrastructure provides support for 90,000 devices per day, which equals the size of Memorial Stadium on a game day, so a lot of effort and resources and efficiencies are put into that. The third and final example references professional development provided statewide. Within Crawford Public Schools specifically, the support provided for their district through ESU 13 in Scottsbluff assisted the district in moving from a low-performing school district to one with significant student improvement and performance. As stated by Barb Edwards, elementary principal, the support provided by ESUs is, quote, survival for us. So as part of the K-12 system, the ESUCC and the ESUs provide an essential system of support for the 245 districts, 22,000 teachers, and then 307,000 students within the state of Nebraska. So any reduction in funding that we have will have a level of impact on that level of service. So as an ESU and the ESU Coordinating Council, for the past several years we haven't been asking for anything other than an understanding that beginning with the 2011-12 year we were provided with a 5 percent decrease in our funding. And since then, we were provided and have been at a 0 percent growth since then. So any further cuts is going to only further diminish that level of service that we have. Right now, as Commissioner Blomstedt alluded to, you know, we're working within an approved budget with contractual obligations and we've received those funds and a lot of those funds have been spent to cover contractual costs. So I'm not sure how that works, but that puts us in a significant amount of unknown of how do we proceed, move forward at this time. As we consider those efficiencies and effectiveness, part of the goal that we've had for the past several years is communication and awareness of efficiencies and effectiveness that we have, working collaboratively with the Nebraska Department of Ed. Nationally, our office has gone through

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

Appropriations Committee
January 17, 2017

what they call a redesign of the state, of the entire nation, and with that we want to do the same thing. We've been around for 50 years. Where we do go for the next 50 in collaboration with NDE? So again, trying to prioritize services and look at more efficiencies. So as part of the K-12 community, we want to be part of the solution as we strive to maintain the highest levels for support and services for our districts and, most importantly, our students. So anyway, I'd be glad to answer any questions you may have for us or me. [AGENCY 13]

SENATOR STINNER: Questions? [AGENCY 13]

DAVID LUDWIG: Okay. Thank you. [AGENCY 13]

SENATOR STINNER: Thank you. [AGENCY 13]

JAMIE HONKE: (Exhibit 55) Chairman Stinner and members of the Appropriations Committee, thank you for giving me the opportunity to speak today. My name is Jamie Honke, J-a-m-i-e H-o-n-k-e. I have been teaching in the Nebraska public school system for eight years as a Spanish teacher. I received my undergraduate and my graduate degrees from Nebraska schools. And I teach multiple levels of Spanish at Ralston High School. That includes dual-enrollment Spanish, advanced placement Spanish, which potentially awards students with the Seal of Biliteracy in the state of Nebraska. I bring this up because my students have the opportunity to receive college credit in the high school setting. I also bring this up because I am passionate about my work. I strive to promote real learning, not just the diploma. And above everything else, I am tremendously proud of the work that I do because I am deeply invested in my students' success. I am committed to their learning and I always seek the best ways to help them be bilingual professionals. I was recommended, at the end of last school year, to participate in the National Board of Professional Teachers certification program. The NBPTS certification program is not easy. In fact, it's far from easy. The rigor required separates the leader from the follower. While all teachers come to work with the intention of creating a better life for their students, nationally board certified teachers prove that they are committed, not only to their students but to the betterment of the profession. They are the educators that you do not want to leave your state. They are the individuals who pour their hearts into their career. These are the teachers that you want all your teachers to emulate. They are the role models for exemplary teaching. There are a

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

Appropriations Committee
January 17, 2017

handful of teachers currently committed to the program to become nationally board certified. Ladies and gentlemen, I am one of those teachers and I have already started the process. To be considered a master teacher in the state of Nebraska and nationally requires perseverance, dedication, and true passion. I knew I had this drive before I became a candidate, but I decided to pursue this certification because I wanted my students and my school to officially have a nationally board certified Spanish teacher, and I knew the reimbursement and subsequent stipend would help my family. Ladies and gentlemen, no teacher stays in the educational field and furthers their education and certification because they are looking for fame and glory. Being an educator is a calling. Investing in educators is not a single person investment. Rather, it is an investment that has generational impact as one educator will reach many students within their career. This investment in educators impacts every student they teach, every young person they mentor, and every new teacher that follows their example and says to themselves, that is the kind of teacher I want to be. To remove the reimbursement and funding for the Master Teacher Program would not only seem unfair to those who have already committed the expense with the intention of receiving reimbursement but would also send a terrible message to other educators in Nebraska who wish to pursue this significant certification. In fact, I have already heard from several educators who planned to certify in the upcoming school year but have had to rethink their decision due to the possible removal of funds. National board certification is not an easy process. I must complete multiple modules that examine every modicum of my teaching practice and provide proof that I exemplify my profession. To deny the funding for these teachers would equate to saying these professionals are not valued in the state of Nebraska. Is the return on investment for a valued, exceptional teacher not worth the investment of a program that so many have tried but so few have completed? This program is demanding and it requires that you receive the best of the best. In fact, only approximately 40 percent of teachers pass certification on their first try. Reimbursement comes to those who certify. Would you rather take the risk of losing your board certified teachers because their value was promised but immediately rescinded? If you do truly care about the success of your students and your state, I beg and implore you to consider your decision and continue the Master Teacher Program funding. I have lived in Nebraska my entire life. I received my education here. I started my family here. I continue to work tirelessly as an educator because my heart lies in education and my greatest pride is to see my students succeed. I will continue to work for my students and their best interests. And I appreciate the opportunity to talk with you today. Thank you. [AGENCY 13]

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

Appropriations Committee
January 17, 2017

SENATOR STINNER: Thank you. Questions? Thank you for being a teacher. [AGENCY 13]

JAMIE HONKE: You're welcome. [AGENCY 13]

SENATOR STINNER: And a passionate teacher. [AGENCY 13]

TOM EARHART: (Exhibit 56) Good evening, ladies and gentlemen. My name is Tom Earhart, T-o-m E-a-r-h-a-r-t, and I am a high school teacher. Like Ms. Honke before me, I'd like to talk to you about the importance of the Master Teacher Program that is threatened by LB22. I grew up here in Nebraska. I've spent most of my nearly two decades of teaching in Nebraska. But I actually originally earned my National Board of Professional Teaching Standards certification when I worked in Florida where I taught for several years. Now before you make a decision about the Master Teacher Program, I want you to understand what it means to be considered a master teacher. It requires a teacher to complete the rigorous, exhausting, and expensive process. The out-of-pocket costs to attempt that process is roughly \$2,000. I want you to understand that this is not just a set of hoops that great teachers jump through to show they're great teachers. It's a reflective process that helps to make teachers better if they're willing to work. The benefits of this program are clear and extremely well-documented. Both Harvard and the Center for Educational Data and Research, in separate studies, found that teachers who completed this program helped their students reach higher educational levels. In fact, students with certified teachers performed as if they had an additional one to two months of classroom time. I could stand here and list study after study of how this certification process helps students, particularly economically disadvantaged and minority students. Master teachers make achievement happen. They make an impact in their own classrooms, and because they collaborate and challenge other teachers they make an impact across their schools and their districts. Master teachers are more likely to be active in building community relationships. Schools with higher numbers of master teachers have higher morale and higher retention rate, which means better achievement. Master teachers make for better schools. Now I know, as everyone up here as said, this is going to be a rough time. You've got to be fiscally conservative. However, I think all of you also know that education is critical to the success of our state. Better teachers mean more successful students; more successful students will help build a greater state. I know you want to save money. We need to save money. But look at the research. Every master teacher that we develop is like getting an

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

Appropriations Committee
January 17, 2017

extra one to two months of learning for each of their students. That's a bargain, and that's going to result in stronger economy, more tax income, and a greater state. No one in here questions the value of a great teacher, so why does Nebraska lag behind the rest of the country in developing these great teachers? Currently, we are 44th out of 50 as far as states who have the percentage of master teachers. Each one of the six states that surrounds Nebraska has at least double the percentage of master teachers. Why is Nebraska so low? I think the answer is simple: Because historically we haven't supported it. Each of these states, each of the states around us, provides incentives for the teachers to push themselves to be the best educators they can be. Applying for national board is a huge undertaking. It involves hundreds of hours of learning, research, practicing effective methods, recording those methods, and reflecting on how to make them even more effective. It involves building relationships with other educators in the communities we serve. It's not a test to show that I'm a great teacher. It's a process that has made me a better teacher. From personal experience, I can assure you that the time I spent earning national board certification to become a master teacher has been a much...had a much bigger impact than any other educational opportunity I've had, including my master's degree. I'm more effective because I completed this process. It's not easy. Less than half of the candidates succeed. The process is expensive. Teachers need to spend nearly \$2,000. It's a risk. I mentioned in the beginning that I began my career in Florida. I spent several years teaching in the "Sunshine State." We had Disney, we had beaches, and we didn't have ice days. But my wife and I raised our...when we decided to raise our kids, one thing brought us back to the "Cornhusker State." As corny as it sounds, we wanted Nebraskan values. I want to raise my family where things like integrity and honesty are valued. So I ask you to live up to that. When the biennial budget was passed, we funded the master program for two years. Live up to your word. Right now there are teachers who have made the decision to pursue master teacher status because they trusted you. Don't pull the rug out in the middle of that promise. They deserve better. They did their part, they filled out the applications. Don't change the rules in the middle of the game. Eighty percent of people think teachers should earn certification. We know it's good for students; we know it's good for the state. I ask you to continue to give teachers the incentive they need to further their development. I'd be happy to take any questions. [AGENCY 13]

SENATOR STINNER: Thank you. Questions? Senator Kintner. [AGENCY 13]

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

Appropriations Committee
January 17, 2017

SENATOR KINTNER: You know, we have needs in this state and we have wants in this state, and I think this program is the definition of a want. If we have the money and we have the growth in the economy that's generating money, this is probably a pretty good program. But, you know, if we don't fund this, the educational structure is not going to cave in. If there's other things we don't fund in education, it will cave in. There are things we absolutely have to fund. We have one of the best educational, public education systems in the country without this. Now, this might make it better, but when we're having a budget pinch like we are now, that's when we've got to say this is a want that we'd like to fund if we had the money, and this is a need that we have to fund. I'm pretty convinced this is a want that we can fund when we have the money, but it's not something that we have to fund. With that being said, that's my feeling. I'll let you respond to that, but that's kind of where I am on this. By the way, I'm a former teacher, so.
[AGENCY 13]

TOM EARHART: Right. And you know I appreciate the thought process behind that. I agree that there are needs and wants. I would say that I think, as Nebraskans, as a parent myself, I shoot for higher goals than "our educational system won't collapse." That's just me, as a parent. However, I will say the research is clear, this makes sense for the students. We have spent a lot of time here listening to lots of needs. I understand there's a budget shortfall right now. The thing I've heard from the community colleges, the university, and the state colleges is the way out of our budget shortfall is to provide a more trained, more highly educated work force. That starts with better schools, and that starts with better teachers. So, yes, in the short term you could cut this program, you could save, what did we decide, at maximum \$500,000 a year. I can assure you there will be benefits or, I'm sorry, drawbacks that will affect our state for years to come. First of all, there are teachers who currently have put out \$2,000, well, \$1,975, based on the promise that their state made--we will fund this for two years. Those teachers are not going to be happy if suddenly that rug is pulled out from under them. So I think in the short term I think, as a state, we have an obligation to live up to the promises we made, understanding in the future biennial budget I don't know what that possibly is. You're right, the educational system won't collapse, but I think looking at the idea that students get a better impact out of their teachers who have this certification, teachers become better teachers, that's going to pay off. I mean you look at the community colleges, the university, the state colleges that have already talked. I can tell you just from discussing with admission counselors, as a high school teacher I do that a lot, I can tell you

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

Appropriations Committee
January 17, 2017

one of the things that colleges are spending money on now that they did not expect to, you know, that they didn't past is remedial coursework. How many of our students are spending their university time taking classes of things they should have gotten in high school, middle school, and elementary? The more we can add to those programs, younger, the bigger the benefit it's going to pay down the road. [AGENCY 13]

SENATOR KINTNER: Regardless, thank you for coming down today. Thank you for wanting to be the best. That means something. Thank you. [AGENCY 13]

TOM EARHART: You're very welcome. [AGENCY 13]

SENATOR STINNER: Any questions? Thank you for being a teacher. [AGENCY 13]

TOM EARHART: Thank you very much and thank you for everything you guys do. I do know that you have some very, very difficult decisions. [AGENCY 13]

SENATOR STINNER: You may start. [AGENCY 13]

NILA JACOBSON: (Exhibit 57) Thank you. Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Nila Jacobson, spelled N-i-l-a J-a-c-o-b-s-o-n, and I have addressed your committee previously. I currently teach Spanish at Lincoln Southwest High School, and I'm here to discuss also the implications of LB22. If we are to ensure that all students receive an excellent education that prepares them to succeed in today's world, we must systematically increase the quality of our teaching work force. In short, accomplished teaching must be the norm and not the exception. The Master Teacher Program is a pathway for Nebraska educators to maximize their students' positive outcomes. Harvard University's Strategic Data Project recently reported that students of NBCT teachers in the Los Angeles Unified School District gained roughly the equivalent of two months of additional instruction in math and one month in English and language arts compared with students taught by non-board-certified teachers. In a similar study in Gwinnett County, Georgia, students of NBCTs outperformed their non-board-certified peers with the same level of experience. I'm a National Board Certified Teacher. This process completely changed my teaching and the way that I relate to my students.

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

Appropriations Committee
January 17, 2017

The National Board model has helped me to reflect on current practices in my Spanish classroom and make adjustments to ensure all of my students reach their potential. This is very important as the diversity of needs continues to grow among our students. I am proud of the way that my students can read, write, and speak Spanish. This is directly impacted by the skills that I learned in the National Board Certification process. And my students not only use their language in the classroom but in the community as well. We must provide opportunities for educators to continue to improve their abilities. Currently, according to the National Board Certification Web site, 112 teachers have been certified in Nebraska; and we know that not all of those are currently practicing teachers. This is a sharp contrast with the South Carolina number which is 8,978. The reason is clear. In South Carolina, teachers receive \$5,000 of a stipend for each year of their certification. This translates into a potential of \$50,000 over the length of their certificate, which is ten years. In the past two years since the Master Teacher Program was funded by the Nebraska Legislature, 23 educators have begun the process of certification. This number is really encouraging. I urge you to consider the importance of the Master Teacher Program and its impact on students' learning across Nebraska. Please retain the funding for this important project. I would address any questions that you might have. [AGENCY 13]

SENATOR STINNER: Questions? [AGENCY 13]

SENATOR KINTNER: You know, let me just ask one question, not a hostile question either because I appreciate you going the extra mile to master your field. If South Carolina has 8,000 teachers and by any measure we have better schools than South Carolina, why is that? [AGENCY 13]

NILA JACOBSON: Well, in South Carolina this is something that is unique to their state. The National Board Certification process is a forum for teachers to increase salaries. And the school districts use the legislative support to have more teachers move up on the salary schedule through that process. I do not know the difference between South Carolina and Nebraska systems. Certainly South Carolina is a larger state and they may have to address the needs of more students. But I do also know that the people that I personally am connected to that are National Board Teachers, not only in Nebraska, are very effective. They're very, very good teachers. [AGENCY 13]

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

Appropriations Committee
January 17, 2017

SENATOR KINTNER: Okay. I just wanted to get...I much...I look at every measure...
[AGENCY 13]

NILA JACOBSON: Um-hum. [AGENCY 13]

SENATOR KINTNER: ...of Nebraska's educational system and it's far better, I think, than South Carolina. You look at graduation rates and efficiency testing and all that stuff that we do much better than them. So God help them if they didn't have that so thank you very much, appreciate it.
[AGENCY 13]

NILA JACOBSON: You're welcome. [AGENCY 13]

SENATOR STINNER: Thank you very much. [AGENCY 13]

NILA JACOBSON: Thanks for your time. [AGENCY 13]

SENATOR STINNER: Thank you and thank you for being a teacher. [AGENCY 13]

NILA JACOBSON: My pleasure. [AGENCY 13]

JAY SEARS: (Exhibit 58) Good evening, Chairman Stinner, members of the Appropriations Committee. I probably won't get through my testimony, but I know you all can read. I lost my voice last Thursday so, as a lobbyist, that's probably not the best thing to have happen, right? But as a teacher, you keep on going. For the record, my name is Jay Sears, J-a-y S-e-a-r-s, and I'm here today representing the 28,000 educator members of the Nebraska State Education Association, minus the 3 excellent teachers that just spoke to you. So whatever they've said is much more important than what the lobbyist for the teachers association has to say. But I know you're receiving e-mails from all those excellent teachers who've either certified and have received their first incentive payment from last year's appropriations. And I thank you, Senator Bolz, for carrying that appropriation. What those teachers are excited about and upset about right now is the fact that in the line item of the Governor's budget in LB22 there's a complete zeroing out of the funding for this current fiscal year. And they worry about the 23 candidates that have

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

Appropriations Committee
January 17, 2017

just started the process who've already paid their \$1,975 to do the four modules. And we're looking forward to having that reimbursed because it is a cost. So I apologize for all the e-mails you'll be getting, but it's our proud and successful teachers that are writing to you about a program they know that supports the education of the kids in our public schools and private schools. Just to kind of refresh you, the Master Teacher Program was passed clear back in 2000; and there was an appropriation at that time proposed of a million dollars to get us going. That was 17 years ago. And it wasn't funded until Senator Bolz carried an appropriations bill for the appropriation for the Master Teacher Program. It went without funds other than a few federal funds and whatever school districts could put together, many of them from their TEEOSA formula that had...two years ago had \$30 million in it for professional development and those who completed their master's degrees, which is no longer there either. And I guess what our educators are saying to us as an Education Association and you as senators is whenever there's a downturn in the economy, much of it lands on the backs of educators. And they're willing to accept that. They're proud people and they keep on doing what they need to do in there, but just a little bit would help them. What we're trying to build in Nebraska is even a better teacher because we know learning goes on in classrooms because of the teacher and the student and the environment in which they come from. So I'm not going to spend any more time. You can read my testimony. You'll get many more e-mails to deal with. And I know your job is not going to be easy. I appreciate all of you in that process. It's not easy to pick out winners and losers when we don't have money. But I know you'll do the best you can and we'll live with it and we'll go on and we'll still have good education in the state of Nebraska. So thank you all for your service and congratulations on your Chairmanship and too bad it landed on you, right? But, hey, we all get paid the same for doing that so. [AGENCY 13]

SENATOR STINNER: I appreciate that. Is there any questions? If not, thank you. [AGENCY 13]

JAY SEARS: Thank you very much for your service. [AGENCY 13]

SENATOR STINNER: Any other testifiers? Well, that concludes our hearings. Thank you all for being here. [AGENCY 13]