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Appropriations Committee  
February 28, 2017

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[AGENCY 50]

STAN CARPENTER: (Exhibit 1) Good afternoon, Senator Stinner. [AGENCY 50]

SENATOR STINNER: Good afternoon. [AGENCY 50]

STAN CARPENTER: Members of the committee, I'm 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 and I'm here today to chat with you for a few moments about our biennial budget request. But I do want to certainly acknowledge the changes that were made by the Forecasting Board yesterday and recognize the additional challenge or challenges that your committee faces as you move forward in light of those new revisions. But given that, I still think it's good for us to chat with you about our requests and who we are and who we serve. So before I get to the budget material specifically, let me just give you a brief update on where we are with each of our institutions. We have been very appreciative of the support that the Governor gave us and you gave us over this biennium when you increased our biennial budget by 3 percent each year. That really helps us as we go forward in keeping our institutions viable and vibrant. And even though that didn't cover our core needs, it was a good start for us in that regard. We planned early this year to deal with the 4 percent cut for this year that the Governor proposed and imposed and you all agreed to, and that was obviously on a one-time basis this year and that did cause some difficulties. But we met that challenge by holding some positions vacant, by not hiring some other positions, by reducing our travel costs, and by delaying equipment purchases and so on and so forth. As I said to you in the earlier hearing, that can't continue forever but that got us through this year. Our enrollments in the state colleges have been fairly stable over the last several years. About 70 percent of our students are Nebraska residents and about 80 percent of those students are undergraduate students at the Nebraska State College System. We continue, however, to focus on recruiting and retaining out-of-state students because we think that many of them, when they get here, find Nebraska to have the good life and they want to stay here. So that's one of our goals as well. We are colleges of opportunity, in more common parlance known as open enrollment institutions, and about 50 percent of our first-year class every year are first-generation students or students that are the first folks in their family to go to college. Of those students who applied for financial aid, and that's a majority of our students receiving financial aid, about 20 percent of those students come from families who have

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an annual income of less than \$30,000. At Peru this year, the first year's class had an annual income, a number of folks were about a third of their entering class have an annual income of less than \$30,000. For all those who applied for financial aid, about a third of those come from families that have an income of less than \$50,000 and at Peru this year, just by way of example, that number was more than 50 percent. So we are serving a population that generally cannot be considered wealthy. And that's important for us because we need to provide them every opportunity to succeed and we do that by providing terrific student support services so the most vulnerable of our students have the best chance to succeed at our institutions. We look at our retention rate from first year to second year and that across the system is at about 66 percent. That compares to about a 56 percent retention rate for like institutions around the nation. What I like to think about though is something I call our success rate, and that deals with students who enter and graduate within six years or students who transfer to another institution because, for example, we don't provide engineering degrees or marine science degrees or marine biology degrees and so they transfer to another institution, or those students who leave us in good standing but can't come back and they leave because they have to go back to the farm or to the ranch or to help mom and dad or basically go get a full-time job so they can earn enough money to continue to attend school. That success rate for us is 81 percent, 81 percent, which I think is very...speaks very highly about how we serve our students. Our students most often come from rural Nebraska and they return to rural Nebraska where they are K-12 educators, K-12 administrators, business and industry leaders, folks who work downtown, social workers, and things like that. And we know that that's very important to maintain rural Nebraska. We started as normal schools and the teacher education programs are still very, very important to us. And of all the teacher education certification completers in Nebraska, from about 2010 to 2015, the state colleges produced about 21 percent of those teachers who are certified. Of those, of that 21 percent, about 65 percent remained in Nebraska to teach. Some went on to graduate school; some went elsewhere to teach as well. And of that 65 percent, 80 percent teach in rural Nebraska. And we define rural Nebraska as anyplace that's outside of the Omaha metro region or the Lincoln metro region as well. So from the return of our students to rural Nebraska to our employment which is provided by our institutions, we have a terrific economic impact on rural Nebraska. And if we want rural Nebraska to succeed, we have to really invest in our institutions in a fiscally responsible manner. We continue to anchor rural Nebraska and without us I think rural Nebraska would be much, much worse off. And while we focus on teaching and learning

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and service to our students, there are some critical facility issues that I want to chat with you about because those facilities are important to our students and their ability to succeed and we want to assure them an optimal environment to protect, to provide our students with educational opportunities that they might not find elsewhere, those kind of educational opportunities that they expect and they deserve. So let me briefly just remind many of you who have been here before and maybe some of you who haven't, at Chadron, for example, we recently completed the Rangeland Program Center (sic: Rangeland Agriculture Center and Pavilion). That consists of two large buildings. The first one is the large animal handling facility and that was funded solely through college funds and through private donations. The second building is the classroom and laboratory facility which was funded through state funding. And that program, the rangeland program at Chadron, is second largest in the nation, second only to the University of Wyoming. At Peru, for example, we just completed an entranceway to the institution. Senator Watermeier is familiar with that. That was within partnership with the city and it was long overdue to make the entryway into Peru much more acceptable and actually safer. And Peru is also doing a long-needed renovation of Delzell Residence Hall, residence hall that was built in the '30s and really had no more attention paid to it since then until recently when we were able to issue revenue bonds for the renovation of that building. And at Wayne, the renovation of the Conn Library continues. That's a long-time renovation phased in over time so that our students can continue to use that library. It was last updated I think in the late '60s or early '70s, somewhere in there, and finally we are going to make it a state-of-the-art, 21st-century library and that will be, has been, and will continue to be the center of academic life at Wayne. Wayne also is in the process of renovating Bowen Hall, another residence hall, through the use of revenue bonds and that will continue until next year about this...maybe next fall, fall a year from now when that will reopen, and that is a long overdue renovation as well. Many of our projects have been able to move forward because of your help and the state's help through LB957 from last year when we were able to get three projects working at our institutions. And LB957 was an extension of LB605 which was in 2006. And what we did was we went to the market to reissue our revenue bonds. We were able to refinance the bonds from 2006, extend our payments for another ten years, and we were able to raise about \$21,275,000 for some projects. When we went to the market in August, we had a true interest cost of just under 2.1 percent so we think we did very well going to the market at that time. And so there are three projects that were identified by the board and you know of many of them or all of them, some of you do. They include the Chadron State

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College Stadium, football stadium which was falling down literally. And about three years ago our consultants told us that within five years from that point it would basically collapse. So that was a very necessary project for us to get moving on. At Peru State, the Theatre/Event Center is underway now and that's a very important project at Peru not only for the college but for the community because of so many activities and events that come to that building. And at Wayne, the Center for Applied Technology building is underway as well. And you'll recall that Wayne State College is the only four-year institution that offers an applied technology degree and that is providing teachers for the K-12 system and for individuals who want to go into business and industry and use their applied technology degree. So those are some important examples of what's going on around the system from a facilities standpoint and I want to thank you all for your support in helping making those projects a reality. So let me then come to our biennial budget request and I provided you a one-page handout there and I think it's...I hope it's fairly simple and easy for you to take a look at. You may recall that historically we have talked about our budget request with kind of two buckets. One was our core needs and one was our strategic initiatives. And this year we added a third bucket called mandatory compliance obligations. And while I understand that you would have difficulty in funding all those for us, I still want to walk through and let you know what it is we are going to deal with as we go forward with these costs, these new costs that we'll be facing. The core needs, as you all know, consist of things like salary and salary increases, health insurance increases, DAS charge increases, workers' comp increases, and utility increases and other kind of operating increases that are affected by inflation as well. There are also some building opening costs in our request for you for the Peru State Theatre and Event Center and the Wayne State College Applied Technology Center. And let me just comment on that for a moment that LB957 was very important for us to get that project, the CAT center, off the ground and going, but the college is having to raise a considerable amount of money to finish that project off. They're doing that through private donations as well as saving some money on their own. So as a result of the core needs, our request for an increase in our base General Fund appropriation would be in the 9.5 percent range, or about \$5 million over the biennium. And you can see those specific numbers on the sheet that I gave you and I don't need to walk through those with you at this point. Our new bucket, if you will, called mandatory compliance obligations, or MCOs, as we like to use acronyms in higher education, really deal with things that have been imposed upon us mostly by outside agencies, by accrediting agencies, by the federal government, and so on and so forth. The one that you may recall when we came

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before the committee last year on a deficit request was for the FLSA money that is when the Department of Labor changed the rules about overtime payment. And we started that request somewhere in the neighborhood of in the \$800,000 range. We did some hard work ourselves to reduce that to about a \$400,000-some request. And now with the change of administration in Washington, it doesn't appear that that change from the Department of Labor is going to go forward, so that request really has been withdrawn. If, however, somehow that changes, we will come back and talk to you about the implication for those changes for our budget. The other MCO, mandatory compliance obligation, I want to chat with you about comes from our accrediting body, that is, the Higher Learning Commission. The Higher Learning Commission has instituted some new rules that talk about specific degree attainment for faculty and then a minimum number of graduate hours that faculty have to have if they're going to teach outside of their discipline. And so for us, as you might guess, we're small institutions. We have folks who might have a history degree, a Ph.D. in history, who are also then teaching political science but they might not have 18 hours in political science. We might have a couple people doing that. So the cost that you see there for that MCO is for additional faculty so we can meet our accreditation and keep our accreditation with the Higher Learning Commission. And you can see that's about a \$564,000 request there. So overall, if you take the MCO with our core needs, we're looking at about an 11.2 percent request to increase our budget over the next biennium. We're about \$5.7 million. You will also see there our strategic initiatives. And I am not going to walk through those with you but basically what we do every biennium is ask the college to look at what initiatives would really improve the institution, what initiatives would they like to put together to make sure our students are getting the best educational product they can, and you can see what those are but I recognize how difficult it would be to even think about funding those. But I do want to note that the colleges have put in a great deal of effort, a great deal of time, a great deal of work in thinking about these things. And were there be a way to fund them, they would obviously look to areas to improve enrollments and retention and graduation rates and the student learning environment as well. But given the circumstance we find ourselves in, the state finds itself in, I think these are all probably going to be deferred or delayed until some better time down the road. But they are very important. But unfortunately we have to focus on our core needs and MCOs over the next biennium. It may seem odd to you that I want to talk to you about capital construction given the circumstances, but I do want to just for a few moments talk to you about what our request is for this next biennium. Obviously I've talked about some of those

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important projects that we've just completed or that we have going on now. In that vein, the colleges have really leaned on our students to improve state-funded facilities and, in my opinion, shifted too much to the backs of our students through tuition and through the capital improvement fee. And my sense is that we're tapped out in that regard at this point and we can't ask our students to do any more to help renovate state buildings. But the Math/Science addition and renovation in Chadron, many of you have heard before, some of you have visited Chadron to take a look at that building, remains the number one priority for the board of trustees and the State College System. And you may recall that LB957 did not provide enough money for us to tackle that particular project last year. And so it remains the board's top priority. That's about a 57,000 square foot building that was built in 1968 and has had little attention paid to it since then. It has an inefficient mechanical system, inefficient electrical system. It does not have an air-handling system that is decent these days. And every student at Chadron State College comes through that building. Every student for their math courses or their science courses has to take them in that building. And so this renovation would consist of about a 14,500 square foot addition to the north side of the building. And when they got that done, then they can move things from the east side of the building into that and continue working and then the west side of the building would be the final and third phase of that renovation. That building currently houses programs in math and geology and physics and chemistry and biology. It also has the geology museum and the herbarium, so it's a critically important piece of the physical plant at Chadron State College. It also is home to the Chadron State College Rural Health Opportunities Program. And many of you know what the Rural Health Opportunities Program is. It's a partnership with our institutions with the University of Nebraska Medical Center where students who graduate from our institutions or can transfer early to the medical center and they can become dentists and dental assistants and doctors, physical therapists, clinical lab scientists, radiologists, and the like. And then the hope is, and many times it is true, that those folks return to rural Nebraska to practice whatever it is their degree is in. In fact, I'll pass out a little bit later to you a statement from two folks who have graduated from Wayne State and transferred to the medical center. They would like to have been here today but as physicians their practice wouldn't let them take time off. But I think if you would take time to read this, they're very brief, you would see just how important Wayne State, in this case, was to those students who went on to become physicians and went back to rural Nebraska to practice. In fact, they married each other, as a matter of fact. So it's a very important program across the system. It's very important at Chadron

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for their RHOP program and that building really does need serious attention. If there is any way that you all would think about this as a thing to finance this year, we would obviously work with you, with our facilities corporation, to issue bonds for whatever time period that the state would like to do that to take care of this absolutely necessary renovation to the Math/Science Building at Chadron. And as you may recall when we put the Center for Applied Technology project together last year, Benthack Hall at Wayne was part of that but there wasn't enough money to address that renovation as well. And what that really would do for us is when we get the CAT center built, that program will move over to the new building--Benthack needs to be renovated--move some programs around that are already there, move some programs from another building that are there to deal with accreditation issues. And that will be something that we'll be coming back to you again with in the future as well. Finally, you'll see in our capital construction the LB309 Building Renewal Task Force request. I can't emphasize enough how important the building task...the task force is to the state colleges as we deal with fire/life safety issues and deferred repairs, ADA, and energy conservation. In addition to the funding that they provide, their expertise and guidance related to those projects are extremely well received and they are invaluable to us as we go forward. Final area that I want to chat about for just one second is our Nebraska State Colleges Sport Facilities Cash Fund. That's an important funding line for us as we look at issues at our state colleges and try to improve certain things that are good for both the college and for the community as well. And the board has looked at those funds and the expectation to receive those funds and have committed those funds through this biennium and beyond. So that's a very important source of funding for us as well. So let me conclude by saying thank you for finding a way to give us level funding for this biennium. Let me ask you from the bottom of my heart, even given the circumstances of the forecast yesterday, that you try to hold us there because that will make a serious difference for us and a serious difference for our students because we only have two ways to deal with these, this matter. And even with flat funding there will be pain for us to deal with our core costs and our MCOs. And either we have to raise tuition substantially or we have to look at budget cuts. And with 71 percent of our funding, general funding going to people, that's a place we'd have to look to I think fairly seriously. If we were to cover all of our core needs and MCO costs in the first year with tuition, that would lead to about a 9 percent tuition increase, and if we were to do that in the second year that would lead to about an 11 percent tuition increase, so we'd be looking at a 20 percent tuition increase over the course of this biennium. And if you think back to kind of my comments earlier

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about where our students come from financially and the family income for many of them, that would be a very difficult pill for them to swallow. A little context: Each 1 percent on the General Fund appropriation that you provide to us is tantamount to 2 percent on tuition. So if, for example, you could magically come up with a 2 percent increase in our General Fund each year, that means we could reduce our tuition increase by 4 percent. So that means in the first year we would probably be able to live with somewhere between a 4 and a 5 percent tuition increase and somewhat similar to that in the second year, somewhere 4 or 5 or 6 percent depending on how else we might deal with those budget cuts. So it's just an equivalency that I'd like you to be aware of and think about as you go through your deliberations for the final budget. Again, if there's any consideration for Math/Science, we'll work with you, with our facilities corporation, and try to find a way to bond that. If I could pass this out, these are the statements from the two physicians that graduated from Wayne. I think you'll find them enlightening. And they're very brief and I hope that you'll be able to read them. And they did very much want to appear here today but obviously they couldn't take time out of their practice to do that. So the RHOP program is extremely important. This will reflect that to you. And I'm going to be followed by a young woman, Rachel Henry, who is a graduate, a recent graduate of Peru State College. Senator Watermeier, you might remember Rachel. And I think that she will give you a sense of her experience at Peru and has a very, very compelling story to share with you. And with that, again, thank you. I'm extremely appreciative of everything you've done for us and I'll be happy to answer any questions you might have. [AGENCY 50]

SENATOR STINNER: Thank you, Chancellor. Questions? Senator Wishart. [AGENCY 50]

SENATOR WISHART: Can you state again, if the committee decides to go with the preliminary and hold the state colleges flat, did you say there would be a tuition increase? [AGENCY 50]

STAN CARPENTER: Well, yeah. Well, I think there will be a combination of things, Senator, obviously. I mean my example to you was if we were to cover that only with tuition and not worry about any kind of budget cuts, that would translate to a 9 percent tuition increase in the first year and an 11 percent tuition increase in the second year. I don't think I could in good conscience go to the board of trustees and ask them to pass that kind of tuition increase given what we know about the finances of our students. So it would be a combination of tuition

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increase and budget cuts and the budget cuts, as I said, we would have to look at positions at some point because 71 percent of our budget is personnel. [AGENCY 50]

SENATOR WISHART: And this is with us holding you flat? [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR WISHART: Okay. It...okay, thank you. [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR STINNER: Thank you. Additional questions? Senator Bolz. [AGENCY 50]

SENATOR BOLZ: A couple of questions, and I asked a similar question of the university yesterday. There is an intersection between tuition increases and students' ability to either enter college or complete. [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR BOLZ: So in terms...and I understand that this is a difficult question. But in terms of the amount of tuition increase in a given year that you think the student population can absorb, where's the tipping point between reasonable and unreasonable? [AGENCY 50]

STAN CARPENTER: Senator, I wish I knew the answer to that question. We are always concerned about walking over the cliff with tuition and having that negatively affect our enrollments and really, more importantly, negatively affect our access mission to students. So I don't know where that tipping point is or where that cliff is. But anytime we go beyond kind of what I think would be a normal 3 or 4 percent tuition increase in a normal year, we get concerned about that. Obviously in some years the...when we have done that, enrollments have gone down. In some years they've remained the same. Some years they've actually gone up. But I don't know what really triggers those kinds of enrollment changes. So I don't have an answer to that, nor do I have an answer to the completion rate either. [AGENCY 50]

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SENATOR BOLZ: Okay. Can you tell me--I honestly don't remember, I think my first year on the committee the university had their...we worked out an agreement that we froze tuition for the university--have your tuition rates increased modestly every year or have you had a freeze at any point in time? [AGENCY 50]

STAN CARPENTER: We had a freeze several years ago, Senator, when the university had a freeze as well. [AGENCY 50]

SENATOR BOLZ: Okay. [AGENCY 50]

STAN CARPENTER: I've got a tuition... [AGENCY 50]

SENATOR BOLZ: That's okay. That answers my question. [AGENCY 50]

STAN CARPENTER: Okay, sure. [AGENCY 50]

SENATOR BOLZ: And then one other question that I...well, I mean, I appreciate your commentary. I don't think anybody wants to see a double-digit tuition increase so we'll have to be thoughtful about that. [AGENCY 50]

STAN CARPENTER: Right. [AGENCY 50]

SENATOR BOLZ: And I know you will be as well. My only other question that I wanted to address is, I mean, we all saw the fiscal forecast yesterday so I'm not turning a blind eye to that. But I also don't want to make two-year decisions that have 20-year impacts. And I'm just wondering in terms of your strategic initiatives, are any of these strategic initiatives vital to your ability to continue functioning, to continue drawing students in? I just want to make sure that we're not shortsighted. [AGENCY 50]

STAN CARPENTER: Sure. I would say they're not vital to our functioning, the core needs and the MCOs are vital to our functioning. The strategic initiatives would take us in a place for our institutions where we would be providing students better service whether it's an ability to enroll,

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the ability to graduate, a better learning environment. You can see, for example, that Chadron's strategic initiative deals with security issues so that our students are safer on campus and you can see what the other ones are as well. Obviously we'll try to find a way to do some of those, but I don't know when that would be, certainly not in the first year of the biennium I'm sure. But they are important and I wouldn't want to diminish the importance of those. But our focus on the core needs and MCOs is really where we have to be given the state of the financial circumstances of the state. And as I said all along, we want to be a good partner in that as well. [AGENCY 50]

SENATOR BOLZ: Okay, thank you. [AGENCY 50]

STAN CARPENTER: You bet. [AGENCY 50]

SENATOR STINNER: Additional questions? Senator Hilkemann. [AGENCY 50]

SENATOR HILKEMANN: Yes. Chancellor Carpenter, I was on your Wayne campus over the weekend so... [AGENCY 50]

STAN CARPENTER: Good for you. [AGENCY 50]

SENATOR HILKEMANN: So tell me, what's the economic impact of that college to Wayne and Wayne County? [AGENCY 50]

STAN CARPENTER: Well, I think I've got something in here that will tell you that, Senator. Let me just find it. Overall the impact of the state colleges across the state are about \$400 million or a little more than that. Bear with me, Senator. [AGENCY 50]

SENATOR HILKEMANN: You can get that to me later. I just wondered if you had...that's...I just...when you go through Wayne, Nebraska, you realize that that's got to be a huge, huge factor that's... [AGENCY 50]

STAN CARPENTER: Sure. Senator, it's about \$176 million, \$177 million. [AGENCY 50]

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SENATOR HILKEMANN: Okay. You mentioned that you had 20, what, 24 percent of your students end up in teaching and education? [AGENCY 50]

STAN CARPENTER: About 21 percent, Senator. [AGENCY 50]

SENATOR HILKEMANN: Twenty-one percent? Okay. Is that... [AGENCY 50]

STAN CARPENTER: Well, I mean, let me clarify that. About 21 percent of the teachers that are produced from Nebraska institutions are produced by the Nebraska State College System. [AGENCY 50]

SENATOR HILKEMANN: Okay. Is that number decreasing or increasing? [AGENCY 50]

STAN CARPENTER: It's been pretty stable since I've been here. It's always been around 20, 22, 21, 23, 19 percent depending upon any year. So it's pretty stable in that, that we produce about a fifth of all the teachers in Nebraska. And as I said, the vast majority of those return and work in rural Nebraska. [AGENCY 50]

SENATOR HILKEMANN: So that, that number, I was with some of the school superintendents here a week ago and they were talking about how the pool that they have for teachers, particularly in rural--this was the superintendent from Osceola, McCool Junction, and so forth... [AGENCY 50]

STAN CARPENTER: Um-hum. [AGENCY 50]

SENATOR HILKEMANN: They were talking about how they just aren't able to get teachers there. [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR HILKEMANN: And I'm wondering if you've been noticing any decrease in the number of students that are going into it. [AGENCY 50]

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STAN CARPENTER: I have not. I don't believe we have, Senator. I think it's been pretty stable around that number for quite a few years. And I know that our teacher graduates are sought after in rural Nebraska, the superintendents and principals come looking for them. [AGENCY 50]

SENATOR HILKEMANN: Okay. How many...we have this whole separate state college system. How many states have similar situations as Nebraska's? [AGENCY 50]

STAN CARPENTER: I don't know the answer to that question but I think it's quite a few. I came from Vermont where I worked for the state college system there and they had the University of Vermont as well. I think it's the same in New Hampshire. It's certainly the same in Minnesota where they have the Minnesota State colleges and universities which are all the colleges and universities in Minnesota except the University of Minnesota. And I believe it's the same in Wisconsin, Senator. So I don't think it's an unusual circumstance at all to find that around the country. [AGENCY 50]

SENATOR HILKEMANN: And you've been holding your tuition increases at approximately, you say, 4 to 5 percent? [AGENCY 50]

STAN CARPENTER: Well, what I'd say is that's kind of an average in a good year for us to think about and I can tell you if I can find it here but I'm so old I can't...here we go. Our tuition increase in the last 20 years has been 5.5 percent. On average in the last ten years it's been 4.6 percent. In the last five years it's 3.5 percent. [AGENCY 50]

SENATOR HILKEMANN: How much is the tuition a factor, a barrier for...? [AGENCY 50]

STAN CARPENTER: Well, any tuition is...can be a barrier depending upon the student's financial circumstances. I believe our institutions with our mission of access are very reasonably priced and afford students an opportunity to get a high-quality education at a reasonable tuition rate. Our tuition rate now is \$160 a credit hour. [AGENCY 50]

SENATOR HILKEMANN: And by the way, I saw that they were doing their project on that... [AGENCY 50]

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STAN CARPENTER: Good. [AGENCY 50]

SENATOR HILKEMANN: ...residence hall so. [AGENCY 50]

STAN CARPENTER: Good. Good for you. [AGENCY 50]

SENATOR HILKEMANN: Thank you. [AGENCY 50]

STAN CARPENTER: You bet. [AGENCY 50]

SENATOR STINNER: Additional questions? Senator Watermeier. [AGENCY 50]

SENATOR WATERMEIER: Thank you, Chairman Stinner. Chancellor, nice to have you here today. [AGENCY 50]

STAN CARPENTER: Thank you, Senator. [AGENCY 50]

SENATOR WATERMEIER: I don't want to get into the details of your biennial request. I think everything looks okay there. But I might off the mike ask you about the security request. It's \$240,000. [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR WATERMEIER: Getting back to the capital construction, I struggled with this, you know as I well did, two years ago of not being able to do this particular project because I thought this was number one. Are you to the point now where you can go to your other three colleges all together and say, look, we've got to prioritize just the one project? I mean, you're asking for just this one but I know in the same breath you're going to talk about completing what we didn't get to do at Wayne State. So I think it's time to start looking at each project individually rather than saying each college has got to have a piece. You're there. [AGENCY 50]

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STAN CARPENTER: Senator, I don't want there to be a misunderstanding about how the board operates. Last year when we were talking about LB957, that was going out and bonding for projects. And students at Peru were putting money...are putting money into that process. So we can't take money from Peru to support a project, Peru students to support a project a Chadron. So what we looked at was what were the three projects last year that were critically important. The board has prioritized the Math/Science Building at Chadron. And until we get that done, unless there is some kind of other magical thing that happens, that will be the first priority for the board. And when that gets done, then I'm going to guess that Benthack Hall will step up next. But until we get Math/Science done, we won't be doing any other projects, you know, seeking state funding. [AGENCY 50]

SENATOR WATERMEIER: I'd agree. I mean I think this is kind of like what we find in water projects across the state, big infrastructure projects. You just can't see them all as like as you'd like. You can't spread them out evenly as you'd like. You're going to have to prioritize them. [AGENCY 50]

STAN CARPENTER: Right, yes. [AGENCY 50]

SENATOR WATERMEIER: And so you're there I think. And I'm willing to support that as well. Just one question, it just looks...you know, you have a \$4 million added in this cost over just 12 or 24 months. I know you say in there it's about two years, but that's a big number there it seems like. [AGENCY 50]

STAN CARPENTER: I'm sorry, what was that, Senator? [AGENCY 50]

SENATOR WATERMEIER: Well, the project cost over the three years adds up to \$23.7 million. [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR WATERMEIER: But you say the cost is now \$27.7 million. [AGENCY 50]

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STAN CARPENTER: Well, it's always been about \$27.7 million or \$28 million. [AGENCY 50]

SENATOR WATERMEIER: Oh, it has? [AGENCY 50]

STAN CARPENTER: Yes. That's not an increase. That was us saying to the state, if you fund us at the \$23 million level,... [AGENCY 50]

SENATOR WATERMEIER: You'll add the \$4 million. [AGENCY 50]

STAN CARPENTER: ...we'll do the rest. [AGENCY 50]

SENATOR WATERMEIER: Okay. Well, reading...well, I'll go over this with you maybe privately then... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR WATERMEIER: ...because it looks like it just adds up to \$23.7 million. Of that, \$4 million is proposed from the cash fund. I get that. But you have in your project total cost is now \$27.7 million. So I'll go over those numbers with you at some point in time, so. [AGENCY 50]

STAN CARPENTER: Okay, but that...yes, that's where we are on that though. [AGENCY 50]

SENATOR WATERMEIER: So I think you do have a 17 percent change in there from what I was looking at but we'll go over that. [AGENCY 50]

STAN CARPENTER: Okay, well, I'll chat with you to clarify that. [AGENCY 50]

SENATOR WATERMEIER: All right. All right, thank you. [AGENCY 50]

STAN CARPENTER: Okay, thank you. [AGENCY 50]

SENATOR STINNER: Chancellor, I have a few questions. [AGENCY 50]

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STAN CARPENTER: Sure. [AGENCY 50]

SENATOR STINNER: One of them is, when did you and the board of trustees become aware of the problem that the state was having and the adjustments that you would eventually have to make? [AGENCY 50]

STAN CARPENTER: Sure. When we knew about it in our office, they knew about it. And then we dealt with it. I began to talk with them at the November board meeting. I think we got that notice in October. And so I'm sure we sent an e-mail out to the board saying here is an issue. And then when we got together for a board meeting in November, we began to chat with them about that. But we began to work on that administratively as soon as we got that notice from the Governor. [AGENCY 50]

SENATOR STINNER: Did you set up committees to study different aspects of the colleges and where cuts could be made, where efficiencies could be realized? [AGENCY 50]

STAN CARPENTER: Are you talking, Senator, about the 4 percent cut or about the biennial budget? [AGENCY 50]

SENATOR STINNER: About the 4 percent cut... [AGENCY 50]

STAN CARPENTER: Sure. [AGENCY 50]

SENATOR STINNER: ...and the potential for a biennium cut. [AGENCY 50]

STAN CARPENTER: Yeah. With a 4 percent cut we basically said to the colleges, okay, go about and figure out how to deal with your share. And I think they did that fairly much through administrative work. But for the biennial budget issue, the flat funding or less or whatever to deal with our core costs, there are committees in place at each institution. The presidents have gone about it in a little different fashion at each institution. We don't direct that centrally but I say to the presidents, okay, here's your share of what we think we're going to get, we're not going to get for our budget needs in the biennium, you need to figure out a way to deal with that. And what

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will happen in the next couple weeks is those committees at each institution, however they're structured, will report back to the presidents and then the president will look at those suggestions from those committees and prioritize those and then send them on to the system office where we will look at them to make sure that no policy is violated, state law is not violated, bargaining contracts aren't violated. And if all those things are met and they're not destroying our access mission, then we will say go ahead. [AGENCY 50]

SENATOR STINNER: So you really are not in a position today to say this is how much we're going to cut, these are efficiencies we can realize, this is going to be our tuition increase? [AGENCY 50]

STAN CARPENTER: Well, what we have done is operated from what you have proposed for us right now as a flat budget. And so we know what our shortfall is as a result of our core cost increases and our mandatory compliance obligation increases. So we take those together. We look at each institution. We give them their share of that and say, okay--in Chadron's case let's say it's \$100--you figure out how to save \$100 out of your budget to deal with this bill over the biennium, and the same with Wayne and the same with Peru or \$10,000 or \$10 million. [AGENCY 50]

SENATOR STINNER: Now each one will have their own tuition recommendation too? [AGENCY 50]

STAN CARPENTER: Yes, sir, I mean,... [AGENCY 50]

SENATOR STINNER: Okay, so... [AGENCY 50]

STAN CARPENTER: ...yes, there could be very different kinds of recommendations from all through the institutions. [AGENCY 50]

SENATOR STINNER: So the 9 and 11 percent, if you did nothing, take on the whole de facto increase, would be 9 to 11 but you're not prepared today to say it's going to be for one institution (inaudible). [AGENCY 50]

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STAN CARPENTER: No. Well, our tuitions are all the same at each institution. [AGENCY 50]

SENATOR STINNER: Okay. [AGENCY 50]

STAN CARPENTER: So whatever we do on tuition will affect each institution the same way in that regard. [AGENCY 50]

SENATOR STINNER: Okay. So they'll have a recommendation. You'll have to meld that all together... [AGENCY 50]

STAN CARPENTER: Yes. [AGENCY 50]

SENATOR STINNER: ...and decide how that works. [AGENCY 50]

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

SENATOR STINNER: Okay. [AGENCY 50]

STAN CARPENTER: And then we'll take as a recommendation to the board and then the board will have the final say, of course, as to how we proceed on that. [AGENCY 50]

SENATOR STINNER: What's the date that you need to have a recommendation for tuition increases? [AGENCY 50]

STAN CARPENTER: We will probably have a preliminary recommendation in May but a final recommendation to the board in June. [AGENCY 50]

SENATOR STINNER: Okay, thank you. Any additional questions? Senator Hilkemann. [AGENCY 50]

SENATOR HILKEMANN: Just a quick question: What's the percentage of doctoral professors you have at your faculty? [AGENCY 50]

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STAN CARPENTER: Senator, don't hold me to this number but I think we are in the neighborhood of about 75 percent of our faculty have terminal degrees. [AGENCY 50]

SENATOR HILKEMANN: Okay. [AGENCY 50]

STAN CARPENTER: But if that's not right, I'm not lying at you, I just don't know exactly. [AGENCY 50]

SENATOR HILKEMANN: Okay. [AGENCY 50]

SENATOR STINNER: Okay. Any additional questions? Seeing none, thank you very much. [AGENCY 50]

STAN CARPENTER: Thank you, Senator Stinner. Thank you. [AGENCY 50]

SENATOR STINNER: Any additional proponents? Welcome. Good afternoon. [AGENCY 50]

RACHEL HENRY: Good afternoon. All right. Chairman Stinner and members of the Appropriations Committee, my name is Rachel Henry, and that's R-a-c-h-e-l H-e-n-r-y, and I'm here today to tell a little bit about my story from my time at Peru State College. My college experience didn't actually start there. It started at a larger university. But I want to back up a little bit and give you a little background about myself. For most of my life I was under the impression that I wasn't really made for college. That chancellor talked a lot about first-generation college students and I was a first-generation college student and I was actually the first of my three older sisters to graduate high school, so that was a really cool experience for me and my family. My dad was my main provider while I was growing up and he didn't have a college education so he just didn't understand how the process worked. So I went through most of my life just assuming I would live a life similar to his. But at the end of my senior year of high school I had a college professor from Peru State approach me and tell me, you know, Rachel, you're really smart, I think you have a lot of potential, I think you should go to college. So she sat down with me and she actually helped me fill out some applications. She helped me set up some visits to Peru and to other universities and helped me through the whole process. And in the end I actually ended

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up choosing to go to a larger university because I thought it was my ticket to a different life. I thought that, you know, if I go to this big, shiny school things will be different for me. So I tried the university lifestyle for about a year, tried to navigate my first year on my own. I didn't have a ton of guidance from my parents, like I said. So when you're a young adult, it was a little difficult to make responsible decisions on my own and I took out student loans to pay for that experience, spent my days in larger classrooms with little interaction from instructors. And I got by with okay grades throughout that time. And I worked at an off-campus job and I remember after a year being there I kind of looked at my situation and noticed that my coworkers had attended the same university and they were working the same minimum-wage job as me and they had the same degree that I was paying thousands of dollars to get. And that really scared me just being put in that situation. I didn't know if four years down the road if I would be able to graduate and compete with other business graduates in the area with little involvement at school and just okay grades. So when I did the math and kind of took a look at how much I would be in debt, I knew that something needed to change and in August of 2012 I transferred to Peru State College and I can say that it was the best decision that I've ever made. So at Peru State my perception of college totally changed. I enrolled in classes there with all of...with my advisers' help. They asked me questions about my future and where I wanted to go. They sat with me to plan when I would graduate and even discussed opportunities after college--you know, what are you going to do with this business degree? They helped me visualize that. I started that year just showing up to classes similar to what I did at the university but this time I was in crowds of 12 to 15 students. So my teachers would look at me and they would ask me a question and I would have to be prepared to respond and that was totally different than the university. I had never experienced that before. And then the State College Systems, they weave service learning into their curriculum, so I had to move outside of the classroom to do a lot of my work. So, you know, they really challenged me and they helped me with real-life skills like, you know, how to write a resume, how to interview for a job, how to write a grant and ultimately, for me, how to run a business. My service learning activities forced me out into the community and I was able to start a nonprofit food pantry while I was in college. So they just...the faculty and staff, they continued to challenge me in ways that I really never thought possible and it was such a cool experience. And once I saw that I had a chance to thrive, I just took every opportunity that Peru gave me to me: I traveled, I competed in competitions, I applied for scholarships, I sat on the board of trustees, and I sat on student senate, I was involved in a ton of campus organizations. So

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that girl that I just described, I never knew that that was possible for me being involved and passionate and successful at school, at education. So I'm just really grateful that the Nebraska State College (System) and the Peru State were able to provide that for me. They really helped me see a new vision for my life that consisted of education and success. And then when it came to graduation at Peru State, I was ready for a new challenge because they had prepared me. So my adviser again, they sat with me for hours to talk about the perfect graduate school. My professors, they wrote my letters of recommendation. They proofed millions of resumes. They helped me prepare for interviews. And by the end of the year I was offered a full tuition scholarship to the graduate school of my choice. So to not only, you know, complete high school, graduate from college, and then to keep learning, that was such a cool opportunity for me that I still get to live out every day. So I ended my third year at Peru State with a bright future, an exciting future, all at an affordable price, and I was no longer afraid of paying off my student loans or if I could get a job because I knew that they had prepared me for what was to come. So this school became my extended family as well as the Nebraska State College System. And they really gave me an education that I didn't know was possible for someone like me. So I'll always be grateful for Peru and for the Nebraska State College System. So that's all I have to share. But thank you so much for the opportunity to be here today and I'm happy to answer questions if you have any. [AGENCY 50]

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

SENATOR KUEHN: Just a comment, Rachel. Thank you for coming here today and talking about it. And don't ever apologize for how humble your beginnings are. It's a...you're doing great things. And there are young adults all across Nebraska who start out from very humble beginnings and end up in really great places. And it's your attitude and your willingness to do the work and answer those tough questions which are going to take you far in your life. And so I think we all here look forward to seeing where you're going to go in Nebraska. And thank you for expressing not only your journey that got you to graduate school but also advocating for...it's not about the big, shiny things. It's about opportunities and people that make an education. So I want to commend you for that and thank you for coming today. [AGENCY 50]

RACHEL HENRY: Thank you so much. I really appreciate that, Senator. [AGENCY 50]

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SENATOR STINNER: Thank you. Any additional questions? Seeing none, thank you very much. [AGENCY 50]

RACHEL HENRY: Thank you. [AGENCY 50]

SENATOR STINNER: Any additional proponents? Seeing none, any opponents? Seeing none, anybody in the neutral capacity? Seeing none, that closes the hearing for Agency 50, Nebraska's state colleges. We now open it with Agency 83, community colleges. [AGENCY 50]