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Education Committee
February 05, 2008

[LB1009 LB1036 LB1057 LB1100 CONFIRMATION]

The Committee on Education met at 1:30 p.m. on Tuesday, February 5, 2008, in Room 1525 of the Nebraska State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1100, LB1057, LB1009, LB1036, and gubernatorial appointment. Senators present: Ron Raikes, Chairperson; Gail Kopplin, Vice Chairperson; Greg Adams; Brad Ashford; Bill Avery; Carroll Burling; and Gwen Howard. Senators absent: Joel Johnson. []

SENATOR RAIKES: (Recorder malfunction)...to this hearing of the Education Committee of the Nebraska Legislature. We're happy you could be here and admire your perseverance, weather and all, to get here. We have a confirmation hearing and then four bills today, which we'll hear in the order in which they're listed on the posting outside the committee room door. We will use our usual procedures, which I'll briefly review. We'll have a five-minute time limit on testifiers. Following the introduction, we'll have proponent, opponent, and neutral testimony, and then, if desired, a close by the introducer. As you come to testify, please fill out one of the little sheets with your name and the bill and so on, throw it in the box. As you begin your testimony, tell us your name, and also spell it for us for our transcriber. Our committee, and I think one for sure won't be here today, most of the rest may be here today. To my far right may soon appear Matt Blomstedt, who's our research analyst for the committee; Senator Brad Ashford is from Omaha; Senator Gwen Howard also from Omaha; Senator Carroll Burling from Kenesaw, Nebraska; Tammy Barry is our committee's legal counsel. I'm Ron Raikes, District 25; to my left is our committee's vice chair, Senator Gail Kopplin from Gretna; Senator Greg Adams from York; Senator Joel Johnson, who will not be here today because he's recovering from back surgery; Senator Bill Avery from Lincoln; and Kris Valentin is our committee's clerk. So if you have cell phones, please disable them for the proceedings this afternoon. Other than that, I think that covers the preliminaries, so we'll proceed to the confirmation hearing. This is for John Lund to the Board of Educational Lands and Funds, and John, I think quite understandably, was planning on being here today, but instead is going to communicate with us, hopefully, by phone. Is that happening, Kris? []

KRIS VALENTIN: Hopefully shortly. []

CHUCK HUBKA: We're waiting for him to call in. []

SENATOR RAIKES: Okay. Well, we will just kind of stand around and hope the phone rings. Was it going to be this afternoon sometime? (Laughter) []

KRIS VALENTIN: Supposed to be 1:30 or 1:32 or so, so it should be shortly. []

SENATOR RAIKES: Okay. Well, we'll stand at ease for a moment or two then and wait.

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The questions for him are getting harder by the minute (laughter). []

CHUCK HUBKA: Go ahead, Senator. []

SENATOR RAIKES: John, is that you? []

JOHN LUND: This is John Lund. []

SENATOR RAIKES: Well, thank you for calling in, John. I'm Ron Raikes with the Education Committee. We have our committee assembled, and we are anxious to hear you to tell us a little bit about yourself and your interest in serving on the Board of Educational Lands and Funds. []

JOHN LUND: Thanks, Ron, and all. First of all, I apologize for not being there today. The snow got a little deep for my car and I didn't want to risk losing my life over meeting all of you folks, but I'm sure one of these days we'll have an opportunity to get together. I had a particular interest in serving on this board because of my real estate background. A little bit about me, I'm a born and raised Omaha person, went to school at the University of Nebraska-Lincoln, graduated with a business degree and came back to Omaha and virtually have been in the commercial real estate business for my adult career. I started my firm in 1981 and our company today is one of the leading commercial real estate firms in Omaha, primarily we based are out of Omaha. We do things around the country, but most of our projects are located right here in town. We've got about a \$500 million asset portfolio that we manage for others, and part of it we own ourselves. I wanted to get involved in this simply because of my background. I think it's an interesting board to be a part of. There's a lot of value in the land across the state, and I think it's important that we better understand how it's being managed and how do we continue to go forward in terms of making disposition decisions and leasing decisions and given the background that I provide, I can help make some better decisions going forward. [CONFIRMATION]

SENATOR RAIKES: Okay, well thank you, John. Are there questions for John? Senator Carroll Burling has one for you, John. [CONFIRMATION]

SENATOR BURLING: Thank you, John, for your willingness to serve on this board. I was just wondering, as you consider the many decisions that the board needs to make, have you identified anything in particular that you think might be a challenge in the next few years? [CONFIRMATION]

JOHN LUND: I think the biggest challenge is going to be what to sell and what to hold, not knowing, you know, the future of what can be done with the funds. Certainly the liquidity is a good thing to have, but the appreciation of some of these lands that have consistently been very strong, and I think my biggest challenge is not knowing where

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and when is the time to sell. We face these challenges daily in our portfolio. I think land prices are at an all-time high. I'm not sure of how much higher they're going to be, but my crystal ball is as clear as everyone else's. All I can do is look backwards as to what I think, you know, what potentially happened based upon past, and my biggest challenge is really to decide which of these lands we should sell and what point in time to do so. [CONFIRMATION]

SENATOR BURLING: Thank you, sir. [CONFIRMATION]

SENATOR RAIKES: Senator Avery has a question. [CONFIRMATION]

SENATOR AVERY: John, thanks for joining us today. Would you please provide the committee with your best understanding of the role and mission of the Board of Educational Lands and Funds? [CONFIRMATION]

JOHN LUND: Certainly. We have a responsibility of understanding the assets that are in place, making prudent decisions then to the leases that come up and the rental rates that are to be achieved for these acreages, and making prudent decisions as to the time in which to sell these assets to the general public. [CONFIRMATION]

SENATOR AVERY: Maybe I should rephrase the question. Would you be willing to share with us what you think the original logic behind setting up these funds? What's the origin of this land you're talking about? [CONFIRMATION]

JOHN LUND: What my understanding is the origin of this land this, was when Nebraska was a territory and this was the land that was provided at a time in which this fund was set up. And over the past several decades, this land has been in place and much of it has been sold off and provided for the fund that provided for the educational system K-12. [CONFIRMATION]

SENATOR AVERY: There is some difference of opinion, I understand, among members of the board as to whether the board should be even selling land at all. You talked about not that question of whether they should be engaged in selling that land, but how you should go about it. What is your position on that controversy? Should the board be approving the sale of land, putting that money into diversified portfolio of investments to earn more money as it is said by those who support selling the land for school, or should you hold the land? [CONFIRMATION]

JOHN LUND: That's a good question and my answer would be I think you should always be in a position to sell at a time in which the prices are high enough that you can be comfortable with knowing what you can do with those excess funds. I'm in the business of making those decisions throughout the year, and there are times in which we decide to sell and there are times in which we decide to hold. I'm not adverse to

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selling if I feel that the price is high. If I think that we can take those funds and get a good yield, I'm all in favor of selling. I don't feel you should just hold to hold.
[CONFIRMATION]

SENATOR AVERY: Thank you. [CONFIRMATION]

SENATOR RAIKES: Are there any other questions? John, I think you've done a remarkable job of answering these questions. You only have one more in order to pass this test and that would be to thoroughly and completely explain the state aid formula to school (laughter) in 15 seconds or less. Bong. [CONFIRMATION]

JOHN LUND: That was a good way to close out. I appreciate the opportunity. I look forward to meeting everyone in person. [CONFIRMATION]

SENATOR RAIKES: Well, thank you. Thank you for not only making yourself available today, but for your willingness to serve in this important position. [CONFIRMATION]

JOHN LUND: Absolutely. Thanks for taking the time and visiting with me, and I look forward to meeting you all in person at some later day. [CONFIRMATION]

SENATOR RAIKES: Okay. Thank you again. All right. Do we have proponent testimony for John Lund? Opponent testimony? Neutral testimony? Okay. That will close the confirmation hearing for John Lund for the Board of Educational Lands and Funds, and we will shortly move to LB1100. Senator Adams, as I understand it, is introducing a bill in another committee but will be here shortly. So again, consistent with our leisurely pace, why... [CONFIRMATION]

SENATOR AVERY: Do you want to rearrange the order and let me go? I've got another bill coming up across the hall later. []

SENATOR RAIKES: Let's give it about two minutes and then we might do that. []

EASE []

SENATOR RAIKES: There he is. []

SENATOR ADAMS: Do I take this to be my time has come? []

SENATOR RAIKES: Actually, this is neutral testimony on your bill...(laughter) so you know. []

SENATOR ASHFORD: It went pretty well. (Laughter) []

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SENATOR RAIKES: Senator Greg Adams to introduce LB1100. Senator Adams. []

SENATOR ADAMS: Thank you, Mr. Chair, members of the committee. As I was coming down the hallway thinking about what comments I might make, I'm trying to decipher or tried to distinguish between, and discriminate between, those things that you already know, and trying to add something to that. And here maybe is the simplest way for me to start. Average teacher pay in Nebraska, about \$27,000. And you take that \$27,000, divide it by 12, about \$2,266 a month, something like that--very close. Withhold the appropriate amounts for teacher retirement and social security and all of those things that you're already aware of, the estimated take home pay would be somewhere around \$1,600 a month. Student loans, it's hard to say exactly what the student loan may be in Nebraska, somewhere in the area maybe of around \$20,000, depending on the school, the person. But on average around \$20,000, amortize that. You're looking at maybe another \$160, \$170 a month in student loan payment and then start breaking out \$500 for rent and the list goes on. A quick estimate that I made, and I don't know how accurate it is, but I think it's reasonable, you might end up with about \$150 to \$200 worth of discretionary money at the end of the month. That doesn't leave much. What LB1100 does is to begin to recognize the fact that one of the more important professions of our state is not attracting enough new people. We have a large cadre of people who are going to be retiring and we've got to find the replacements for them, and it's going to cost us something to do that. And \$26,000 isn't going to do it. Now what LB1100 does, and there are those behind me who can speak to the specifics of it better than I can, it really does three major things. One of them is that there is a direct compensation measure where monies would be used directly, some General Fund monies and other monies co-mingled, to directly give teachers a boost in pay. No strings attached. The second part of it, which is the part that really started to intrigue me with the bill, is the creation of an , so that there is some sustainable monies over a longer period of time rather than constantly running to the General Fund. The trust fund monies could come off the interest of the Cash Reserve, sales tax on Internet sales, some of the interest on the educational lands--all sources that could keep that --similar to maybe the highway fund--bolstered with some dollars. The third component, which frankly I find even more fascinating, is the component that would allow school districts, the teachers in those school districts and their school boards to set down and to develop a plan for pay based on performance. You know historically, traditionally, trying to adjust teacher pay based on their performance has been something that we've kind of steered away from for a variety of reasons, but I think the day has come where if the state's going to intervene, there has to be some accountability. There are a host of different plans out there. This bill would allow local school boards and their teachers' collective bargaining unit to develop their own plan pay for performance. There's much more to the bill than that, but that is the essence of the bill at this point. So I guess what I would try to do is answer some questions, and then there's some follow-up testimony that can even speak more specifically to the dollar amounts and those kinds of things. [LB1100]

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SENATOR RAIKES: Thank you, Senator Adams. Questions for Senator Adams?
Senator Avery. [LB1100]

SENATOR AVERY: Thank you, Mr. Chair. Nobody in this room, I suspect, is going to disagree with you about the need for this. When I ran for office, this was the centerpiece of my campaign, improving teacher pay. But you are going to hear, and you probably already have, that we can't afford it. Almost every time we want to do something for our teachers, we can't afford it. Almost every time we want to do something for people in need, we can't afford it. The sky is falling. But when it's time to provide tax incentives for business, everybody's all for this, we've got to do it. What is your response to this argument that it's too expensive, we can't afford to do this, why are you bringing this up now? I kind of like your funding formula, I've got a bill going before the Appropriations Committee across the hall today that uses a similar concept. [LB1100]

SENATOR ADAMS: Well, Senator Avery, thank you for that lead in. And let me a confession right here at the outset, I'm not so naive to believe that I can sit here and tell that what's in this bill is exactly what ought to be, it's exactly what ought to work, that there isn't room for a lot of discussion, room for change, room for tweaking. Call it what you will, but I think that we're getting very close, if we're not there already, to a crisis point on filling teachers' positions with some of the best and brightest. We need to do something. The dialogue needs to begin. One of the things, as I said during the introduction, one of the things that I liked about the bill...you know it would've been a whole lot easier, frankly, to say well, we want to pay teachers and we want to be more accountable, and then you guys could've sat there and said, well how much Adams? And I could sit here and say, "I don't know." Or how are we going to do it, and I could say, "well, I don't know." But instead what you have in front of you are raw numbers, you have some sources of revenue, granted they may not be the right sources, they may not be the numbers, but it's better than blue sky. And it gives us a starting point. I don't know that I've answered your question for you, Senator Avery, but... [LB1100]

SENATOR AVERY: It didn't have an answer, not really. [LB1100]

SENATOR ADAMS: All right. Or I could have given you the pat one. [LB1100]

SENATOR ASHFORD: Could I just ask...go ahead. [LB1100]

SENATOR RAIKES: Senator Burling and then Senator Ashford. [LB1100]

SENATOR BURLING: Okay. Thank you, Senator Adams. Did I hear you say that you would designate the Nebraska Teacher Trust Fund to be sent out to individual districts for performance pay... [LB1100]

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SENATOR ADAMS: Some of it, yes. Some of it could be used for that purpose.
[LB1100]

SENATOR BURLING: Okay, and you said that the local school boards with their local teachers' organization would develop the criteria for this performance pay for this money. [LB1100]

SENATOR ADAMS: Correct, to be approved by the Department of Education. [LB1100]

SENATOR BURLING: Okay, but does that mean then that each district could be a little bit different on how they spend their money? Should that be a state standardized criteria? Or should it be up to each individual district? [LB1100]

SENATOR ADAMS: Well, I think what the bill calls for is each individual district to develop some models, some pilot models, that could be looked at and maybe eventually used more on a statewide basis. There are, Iowa I believe it was last year, that developed a statewide criteria, an accountability criteria for pay. I think it was maybe the Denver Public Schools, we saw a program on it during the interim where for that entire school system they have built something completely different than what Iowa has. The point would be that if you're going to evaluate teachers, and they should be, and you're going to base a portion or all of their pay on that evaluation, it needs to be a multiple evaluation. It can't be just one thing, what's the principal think of me, or what's the superintendent think of me? There needs to be more to it than that, and that's why in the bill there is an allowance there where teachers can get together with their school board and develop those criterion, submit them to the State Department of Ed. Maybe they come up with a program that's usable statewide. [LB1100]

SENATOR BURLING: So, but your idea is that at some of this money would be designated for performance pay, and not just added to what the district already...
[LB1100]

SENATOR ADAMS: Correct. [LB1100]

SENATOR BURLING: ...pays their salaries with. It would have a different focus.
[LB1100]

SENATOR ADAMS: Correct. [LB1100]

SENATOR BURLING: Thank you. [LB1100]

SENATOR RAIKES: Senator Ashford. [LB1100]

SENATOR ASHFORD: Just a couple questions. There's a planning piece in this bill,

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isn't there? Does that have a cost to it? [LB1100]

SENATOR ADAMS: That planning piece in there, the school district can apply for a grant through this and, Senator Ashford, I don't have the number in front of me, I think it's somewhere between \$75,000, \$100,000--something like that. Maybe one of the next testifiers can speak more specifically toward that. [LB1100]

SENATOR ASHFORD: Would it be your thought that if there wasn't sufficient funds this year to fund the whole deal, that there would be money made available so that at least we could get the planning part of this done now? Why wait? If the bill were to pass or a portion of it were to pass, wouldn't it be a good idea to... [LB1100]

SENATOR ADAMS: You know, I hadn't thought about that, but I'd certainly be open to something like that. I think planning is as much of what we need as anything. [LB1100]

SENATOR ASHFORD: I thought you made an excellent point, and then I'll drop this, but it cannot be simply some sort of subjective criteria on the performance side that's by a principal who's probably overworked and doesn't have, at least some of the districts I represent, that don't really have the time to get involved and all that on a daily basis. But it'd be a more holistic concept not based only on test scores or some other criteria like that, because obviously we have to deal with the students as they are today. And it's more in my sense, it'd be more around how do we improve the overall learning of all the children, no matter where they start from? But I'm sure you agree with that, and I... [LB1100]

SENATOR ADAMS: I do. And I don't think there's a teacher out there that's afraid of accountability if they're worth their salt. Accountability, just like with any other job, just needs to be a fair one, one that matches the profession that they're in. [LB1100]

SENATOR ASHFORD: Right. And the last question...I have a hard time understanding why the Department of Education has to develop criteria for this. [LB1100]

SENATOR ADAMS: I don't know that they develop the criteria as much as they would approve grants to those schools that are developing criteria. [LB1100]

SENATOR ASHFORD: Oh, approve grants. Okay, so they would be more formalistic. [LB1100]

SENATOR ADAMS: Yes. [LB1100]

SENATOR ASHFORD: I mean the department would not have, it would not be so we're not going to give you this money unless you meet certain standards. [LB1100]

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SENATOR ADAMS: I don't think that would be... [LB1100]

SENATOR ASHFORD: So your intent would be to have it be someone open-ended... [LB1100]

SENATOR ADAMS: Yes. [LB1100]

SENATOR ASHFORD: ...with along the general guidelines that you've established in the bill. [LB1100]

SENATOR ADAMS: I think there is a whole parameter of things that could be looked at, a whole spectrum of things that could be looked at in terms of evaluating teachers. [LB1100]

SENATOR ASHFORD: Okay. And that can be done by the districts? [LB1100]

SENATOR ADAMS: Yeah, but there also has to be some substance to it, not just an opportunity to grab a quick buck and hand it out to the teaching staff. I think there has to be substance to it, and I think you would all agree to that. And I can't imagine that anything would sell with our colleagues on the floor unless there is some substance to that accountability measure, some fairness and some substance to it. [LB1100]

SENATOR RAIKES: Senator Howard. [LB1100]

SENATOR HOWARD: Thank you, Chairman Raikes. You know, I supported you on this bill and I signed onto it. I think it certainly is a good bill, it has a lot of merit, and I've had conversations with Senator Kopplin about one of the things that I think is really key. You know, we've done so much work here now for the past three years that I've been down here on the school issues and the learning community and all those things. But when I did social work, and I did it for many years, one of the chief measurements of a child's success was how engaged the teacher was with that child, the relationship that that child felt with that teacher. And I would hear it again and again from foster parents, that child was successful...they would say it's really the teacher that makes that child successful. So I think this is certainly time to look at rewarding those teachers who really commit themselves to seeing that individual success with those children and making it happen, frankly. So, thank you. [LB1100]

SENATOR ADAMS: Thank you. [LB1100]

SENATOR RAIKES: Other questions? Senator Avery. [LB1100]

SENATOR AVERY: Thank you, Mr. Chair. I would like to talk a little bit about the funding mechanism. You are proposing a new tax on Internet sales transactions.

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[LB1100]

SENATOR ADAMS: I don't know that it's necessarily new. I think some of that's already being collected on those companies on a voluntary basis. [LB1100]

SENATOR AVERY: Voluntary basis? [LB1100]

SENATOR ADAMS: I believe it is right now. [LB1100]

SENATOR AVERY: Which means it's probably not being collected. [LB1100]

SENATOR ADAMS: Well, no, I think some of it is. That's why there are some numbers there that... [LB1100]

SENATOR AVERY: Okay. I know I'm supposed to understand and know what Streamlined Sales Tax Governing Board is, but I'm not sure I do. [LB1100]

SENATOR ADAMS: I'm not sure I do either. [LB1100]

SENATOR AVERY: I was going to ask you to explain it to me. [LB1100]

SENATOR ADAMS: You promised me you wouldn't put me on the spot, Senator. [LB1100]

SENATOR AVERY: You can pass it off to Karen. [LB1100]

SENATOR ADAMS: I intend to. [LB1100]

SENATOR AVERY: Okay. The \$200 million from the Cash Reserve Fund... [LB1100]

SENATOR ADAMS: The interest off of... [LB1100]

SENATOR AVERY: Interest off that... [LB1100]

SENATOR ADAMS: Correct. [LB1100]

SENATOR AVERY: But it would be like an earmark, you'd reserve that \$200 million... [LB1100]

SENATOR ADAMS: In effect it would, and so therefore, it's money that would not be found in the General Fund. That's a reality of it. [LB1100]

SENATOR AVERY: Yeah. I have no more, thank you. [LB1100]

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SENATOR RAIKES: Anything else? Senator, in a few conversations with teachers, I've noticed a reluctance to accept pay for performance, and especially if the performance measure is based on academic progress of students. Explain that to me. Given your experience working with teachers and as a teacher, what are the pitfalls of that? What are people concerned about? [LB1100]

SENATOR ADAMS: Well, I would come at it from two directions. One, I think teachers in part are going to have to get over that. As long as it's not the only measure of your success in the classroom. You know, maybe my success with the student in the classroom ultimately was not getting them to pass my class or to meet the standards that have been established, all of them. Maybe it was getting them to come to school everyday. Maybe it was getting them to write a complete paragraph. Some things like that. You know, so much of what happens in education is art rather than science, and it's a bit difficult to measure that. So I think teachers on the one hand are reluctant to have that performance, that actual accountability in the classroom measured, but they need to get over that. And they can, I think, as long as there's other measures of how well they do in the classroom. You know, from one year to the next I may have a class walk into the classroom that, boy, just given the population of students I happen to get this year, take on anybody. And then the next year, it's not the same world. And I think teachers are concerned about that. It's a matter of fairness, I think, more than anything else. But teachers also have to come to grips with the fact that we're asking our students in our classroom to become accountable, and many other areas of the economy we have to be held accountable. To some degree, teachers will be as well if they anticipate an increase in dollars. [LB1100]

SENATOR RAIKES: Okay. Thank you, Senator. We'll move to proponent testimony, LB1100? Jess, welcome. [LB1100]

JESS WOLF: We have a team approach here if it's okay, Senator. [LB1100]

SENATOR RAIKES: Okay. Do you have a baton you're going to hand off here? [LB1100]

JESS WOLF: (Exhibits 2, 3, 4, 5) As a matter of fact we do. Thank you, Senator Raikes and members of the Education Committee. My name is Jess Wolf, J-e-s-s W-o-l-f. I'm the president of the Nebraska State Education Association, and I have with me today Larry Scherer. I guess I'll spell his name, L-a-r-r-y S-c-h-e-r-e-r, who is with NSEA research. We are here to speak in support of LB1100. Teacher salaries in the state of Nebraska are below the national and they're also below the regional average. We've fallen from 38th to 43rd in the most recent year of data. And we've fallen to 6th among the surrounding states. Only South Dakota pays less on an average salary than Nebraska, and some of their southern school districts, which lie close to our northern

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school districts, actually pay more than Nebraska school districts do. As you are aware I'm sure, Wyoming and Iowa have made great salary increases in recent times, and by this fall, Wyoming should be about 21st in the nation on average teacher salaries, and Iowa will be 25th in national average by this fall. The picture for beginning teachers is even worse, and Senator Adams already alluded to this. We rank 47th in average beginning teacher salaries in the most recent data. And we've also begun to see some border bleed with experienced teachers moving to surrounding states. This has been particularly true in the western part of the state where the Wyoming salaries have been higher for a few years, and we know we've lost some teachers to Wyoming. Recent graduates are also leaving the state, about 46 percent of our education graduates go elsewhere after they've graduated from Nebraska colleges. Not all of them go into teaching, but a good portion of them do and they go into teaching in other states. I know the 54 percent of the educators that we keep in the state, we lose half of those within the first 5 years. In fact, we lose 20 percent of them in the first year. Salaries and mounting student debt load are reasons we've been given when we've asked these students why they've chosen to leave. You heard Amanda Bugby (phonetic) on Thursday, if you were at the dinner, tell you about the fact that she can earn \$11 an hour as a student teacher in Houston, or she can stay in Nebraska and do her student teaching here. We also know once people move to Texas or Houston, they tend to stay there over a period of time. I also have testimony from Rita Vogel, who she was going to speak the other day when most of you had to leave, and so I'd ask that you pass that out as well. She talks about some of the other handicaps that students coming out of college are facing. LB1100 does not yield enough money to overcome Wyoming and Iowa, but it does begin to address the problem and it keeps in line with other surrounding states. And I'm going to let Larry talk about the specifics of the bill, since he had a major part in writing that. [LB1100]

LARRY SCHERER: Good afternoon, Senator Raikes, members of the Education Committee. For the record my name is Larry Scherer with Nebraska State Education Association. And the handout you have, the first thing is a summary of the bill, and Senator Adams did a very good job of sort of giving the overview of the first page. So I will just highlight a few items on the specifics of the bill, starting at the bottom of that page. The trust fund and the dedicated revenue, the first component is a \$200 million portion of the Cash Reserve where the interest would flow into a cash fund, and the cash fund could be used for a number of things. The first would be, there's a provision that private endowments could be matched so that money would come off the top. Then the funding for the across-the-board salary payments. The way the bill is written, it doesn't include performance pay, but I think that was Senator Adams' intent that that come out of the cash fund total as well. The other portion of the revenue that are dedicated, lottery funds are included but not until 2016. There's a lot that can happen between then and now, so that money isn't in the projections. The second piece you have is a spread sheet that projects the dollars that might be raised, and at that point in time the money becomes an obligated...now it goes to Network Nebraska and the

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computer upgrades for the school systems. The sales tax on services, the Streamlined Sales Tax collection that Senator Ashford referred to is a program, I think it's probably four, five, six years old by now, and it's a voluntary program where retailers that sell nationwide agree to remit taxes to the states and the last I heard, and Karen can correct me, but about \$7 million collected on that. The other portion is the state apportionment funds. You heard about the state land funds this morning. This money now goes out no strings attached to school districts, this would allocate the money for the common schools. We still believe it would be constitutional, certainly it helps operate the public schools, and that would be about \$24 million. Board of trustees is set up to help manage it and to make decisions about dedicating money for endowments, and that's essentially the trust fund concept. Performance based program, the performance skills and knowledge, it's a locally generated pilot program. The most important things to our members is that they have a voice in putting those together. Some of the members of the committee observed the Denver people talk about their program, and it took them three or four years, I think, to get to where they were comfortable with it on both sides. So this is a process that would start with this bill. The grants would be up to 10 pilot grants, and the amounts are \$25,000 to \$75,000. That's for planning for either six month or up to a year and a half. And then after the planning, once their programming is fully developed, they would go to the department and ask for an implementation grant, and those range between \$75,000 and \$1 million. These are targeted somewhat towards learning communities, the high poverty, ESL schools, and also high sparsity schools. The criteria for getting a grant, I think, are listed on page 3. This assumes that the school isn't at the bottom of the barrel already and they just want to use performance pay to try to come up to average. This assumes that they're somewhat competitive already, and that they're already using their budget well for that purpose and that there's an agreement signed locally. And the other thing that's in the bill is that there's community and business support for the program. I think Senator Adams was correct that in the long run, we hoped that a couple models would develop out of this that the state would look at and say, yes, this works pretty good, let's make this available on a statewide basis. And at that point, how that would fit with the supplemental funding that goes out remains to be seen, but they would both run concurrently, at least for the first four or five years. And the last part is that the Teacher Compensation Act and as drafted, that is just a program that allocates money based on FTE, number of teachers. We tried to draft both of these so that what you gain in state grants you don't lose in state aid. It's a special receipts fund so that it does not cause the state to lose state aid and eventually builds into their needs. So that is a highlight of it, there's a spreadsheet that shows an estimation of how the funding would phase in. As I mentioned earlier, I did not include the lottery funds in that, that doesn't kick in until down the road and it would be in the 2016, 2017 on the spreadsheet if it was included. The top number that you see, the General Fund impact, does include the performance pay element to it and you see estimates for that down below. The last thing in your packet, it's called Education Trust Funds, it shows what some other states have done. A lot of states have school lands and funds, the money that the federal government granted to the state

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when the state came into the Union. And there are a number of additional trust funds that have been set up since that point in time. So those are there for your consideration, not promoting the way Alabama did it or Vermont per se. But just to let you know that other states have gone down the route of creating special funds for education that they call trust funds. Thank you, and I'll try to answer any questions. [LB1100]

SENATOR RAIKES: Okay, thank you, Jess and Larry. Senator Kopplin has one. [LB1100]

SENATOR KOPPLIN: Yes, can we look at the spreadsheet for just a moment. [LB1100]

LARRY SCHERER: Sure. [LB1100]

SENATOR KOPPLIN: I just want to make sure I've got everything in mind. To begin with, we have a \$19.5 million money coming from the General Fund to this fund. [LB1100]

LARRY SCHERER: Right. [LB1100]

SENATOR KOPPLIN: And \$24 million for the school lands funds. Now, does that come out of appropriations that schools already get? [LB1100]

LARRY SCHERER: It is money they already get. It's unrestricted. It's called the state apportionment, and it's based on the... [LB1100]

SENATOR KOPPLIN: But it will have to be designated for this. [LB1100]

LARRY SCHERER: This would be designated for that purpose. So it would become not unrestricted, it would be targeted towards teacher salaries. [LB1100]

SENATOR KOPPLIN: In addition to what they already do, in other words. You couldn't just use it as replacement funds. [LB1100]

LARRY SCHERER: Yeah. Right. So it has an impact on the overall budget, yes. [LB1100]

SENATOR KOPPLIN: So does that then affect TEEOSA, because that would reduce somewhat... [LB1100]

LARRY SCHERER: As I understand it, the school land fund is an accountable receipt, and so it would affect TEEOSA down the road. It would eventually be replaced and be a state impact on the budget. [LB1100]

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SENATOR KOPPLIN: Okay. Then the \$50 million is basically compensation to the teachers. [LB1100]

LARRY SCHERER: Yeah. [LB1100]

SENATOR KOPPLIN: And what does this mean? Less payroll taxes, the employers share \$42.5... [LB1100]

LARRY SCHERER: If we send out dollars directly for teacher pay, schools have to pay FICA and payroll taxes and retirement, and this would allow the schools to use the dollars for the employer portion of those costs. [LB1100]

SENATOR KOPPLIN: So that would be in addition to the \$50... [LB1100]

LARRY SCHERER: It wouldn't have to be local funds to pay for the payroll costs. [LB1100]

SENATOR KOPPLIN: Then the next item is \$2,100, that's... [LB1100]

LARRY SCHERER: That's just an estimate of what might be left over, and that's before income taxes. So that's not what a teacher would take home in their paycheck. [LB1100]

SENATOR KOPPLIN: Okay. That's just the estimate that would go to the teachers then, okay. [LB1100]

JESS WOLF: Senator, back in 1989 we had LB89, which was money that came from the state, and at that particular time, too, the school districts' responsibility for social security and that came out of the funds before the dollars actually went to the teachers. [LB1100]

SENATOR KOPPLIN: Okay. [LB1100]

SENATOR RAIKES: Other questions? One that may be slightly unrelated. You know, one of the complaints we get--well, we get several I guess--dealing with the merger of Class I school districts with K-12s about costs and so on, I think one of them that is probably legitimate is that that process moved teachers who are formerly Class I teachers onto the K-12 payroll. Now, we've heard complaints from the K-12s that, oh, our costs went up a lot because we're having to pay these teachers so much more money because of that change. I guess my question is this: Has that shown up in our ranking in terms of teacher salary in the state? [LB1100]

LARRY SCHERER: No. [LB1100]

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JESS WOLF: No, it has not. That will be in the next year's data. [LB1100]

SENATOR RAIKES: So it's yet to come. [LB1100]

JESS WOLF: That's yet to come in terms of the data that we have available to us at this time, yes. We anticipate that will make some difference. However, that was less than 1,000 teachers, it was about 750, I believe, out of the 23,000 K-12 teachers now--23,000 to 25,000. [LB1100]

SENATOR RAIKES: One of the difficulties you face, and that you've pointed out fairly, is that if you're going to make a significant and substantial change in a teacher's salary, it takes a lot of money. And you multiply that times... [LB1100]

JESS WOLF: I think Senator Avery's question before alluded to that. That's exactly right. Whenever you make any changes on a statewide basis, it does require a lot of money. [LB1100]

SENATOR RAIKES: Okay. Anything else? Don't see any, thank you. [LB1100]

JESS WOLF: Thank you. [LB1100]

LARRY SCHERER: Thank you. [LB1100]

SENATOR RAIKES: Other proponents, LB1100? Okay, are there opponents, LB1100? Is there any neutral testimony? Marge, welcome. [LB1100]

MARGE HAROUFF: (Exhibit 7) Thank you. Good afternoon. For the record, I'm Marge Harouff, last name is spelled H-a-r-o-u-f-f. I'm a long-time administrator in the Department of Education, and I'm here on behalf of the State Board of Education. They have asked me to provide support on their behalf for the concepts that are in this bill concerning compensation for public school teachers. When the board was having this discussion yesterday, it did not talk at all about the funding processes that are also in this bill, and I don't know anything about funding so don't ask me any questions about that. There are other people who can answer those questions better. The Nebraska Legislature's made an effort to attract and keep quality teachers in this state through the Attracting Excellence to Teaching program which we administer, which was funded for the first time last year. This program provides \$2,500 scholarships to teacher education candidates who are preparing to teach in Nebraska. Last year, in the first year of the program, 100 juniors and seniors in teacher education programs were the recipients of those scholarships and loans. If they teach in Nebraska following graduation, those loans will be forgiven. If they do not, they have to pay them back within a year and with interest. At this point, our records show that of the 100 who took advantage of the scholarship opportunities last year, we had a total of 8 people who did not stay in

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Nebraska or did not get teaching jobs in Nebraska. And they had a variety of reasons--married, family moved, those kind of things. For the most part, that scholarship program is helping to keep teachers in Nebraska and we hope that we can keep it that way. But we're beginning to have some difficulty at the teacher education level getting people to apply for the scholarships because they know that if they take the scholarship, they must pay it back if they don't teach in Nebraska. And as you've already heard, Wyoming and Iowa are very much in the mix in terms of attracting teachers to those states because of their salaries. We do a teacher vacancy survey every year. We're in the process of finishing the latest one, and I don't have the date for that one, but I do have the data for the one that was done for the 2005-2006 school year...no, for the 2006-2007 school year. And that data told us that we don't have a lot of vacancies, and when I say vacancies I mean positions that we could not fill with somebody who was a qualified teacher. We had 72 reported vacancies, and that was a report from all of the school districts in the state. In those cases, the school districts either have to decide to put someone in that classroom who's not qualified, to not offer the courses, to perhaps do the courses via distance learning if that's available to them, or to have someone teach the course who does not have the appropriate background. Seventy-two is not a lot of people. But if you're a student, your children are in those classes, it's important to you. So those 72 positions are important to us as well. The majority of the areas in this state where we have the greatest shortages--and this won't surprise you--are on the borders. And so Peru State College has Iowa on the other side, so a number of their graduates are not taking part in the scholarship program. We have the same thing with Wayne. We have the same thing with Chadron. We don't have it so much with the institutions that are in the middle of the state. We have some of it with UNK and UNL, but not a lot. So it is very important to us that we do everything that we can to raise teacher salaries so that we can be competitive in this state. Our teachers are good teachers, they're prepared well. They can be competitive, but they have to eat and they have to be able to have a place to live. And I think the information that you heard early on about what's left that Senator Adams was talking about how much you have left at the end of the month when you're a beginning teacher, it's very important. It's really hard to live. I can vaguely, vaguely remember what it was like to be a first-year teacher, and it was tough. And we were lucky because we were a two-professional family and no children. It was still tough. So I'm here on behalf of the board. We believe that LB1100 represents, at least, the beginning steps in taking a look at some creative ways to provide better salaries for teachers and to support looking at ways to pay teachers who deserve to be paid more, paid more. I'd be happy to answer any questions. [LB1100]

SENATOR RAIKES: Thank you, Marge. Questions? I couldn't help notice you're saying that a loan forgiveness program, if you don't have a competitive salary, really doesn't work very well. So why... [LB1100]

MARGE HAROUFF: It doesn't work as well as it should, but don't get rid of it. [LB1100]

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SENATOR RAIKES: ...why wouldn't you use that money instead to enhance teacher salaries? [LB1100]

MARGE HAROUFF: Don't get rid of it. I knew where you were going with that. [LB1100]

SENATOR HOWARD: She's onto you. [LB1100]

MARGE HAROUFF: I'm onto him, too. We had this discussion already. [LB1100]

SENATOR RAIKES: Senator Avery. [LB1100]

MARGE HAROUFF: It does mean something to the people who get the scholarships, obviously. [LB1100]

SENATOR RAIKES: I'll have to take your word for it. [LB1100]

MARGE HAROUFF: Well, \$2,500, particularly in your senior year, if you're going somewhere to student teach, \$2,500 is very helpful because you're living away from where you normally live and you have additional expenses. [LB1100]

SENATOR RAIKES: Okay. Senator Avery. [LB1100]

SENATOR AVERY: Thank you, Mr. Chair. This is not directly related to your testimony or to the bill, but it is related to improving teacher compensation. What is your opinion of the idea of providing a tax credit for teachers? I don't know what the amount might be, \$500, \$1,000 tax credit. [LB1100]

MARGE HAROUFF: Well, I'll give you my personal opinion. I don't think tax credits are very useful to beginning teachers because they don't pay very many taxes in the first place. They don't have a lot of money. Now, the tax credit if it's coming back in a lump sum that everybody is getting the same amount would probably mean more to them than it would to people who had more money. [LB1100]

SENATOR AVERY: Yeah, I'm thinking of it as not a deduction. This would be coming off your liability to the state income tax. You're suggesting that a lot of teachers are so poorly paid they don't pay a lot of taxes. [LB1100]

MARGE HAROUFF: That's what I'm suggesting. [LB1100]

SENATOR AVERY: You're probably right. [LB1100]

SENATOR RAIKES: Other questions? I don't see any, thank you. [LB1100]

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MARGE HAROUFF: Thank you. [LB1100]

SENATOR RAIKES: Any other neutral testifiers on LB1100? Senator Adams. [LB1100]

SENATOR ADAMS: Thank you, Mr. Chair. And we'll take the tax credits, we'll take the scholarship money. It worked today. Having this hearing has opened your minds and we can begin a dialogue on how to get this done. Very simply in closing, let me just say at the risk of sounding like a traitor to my own profession, I probably would not have carried this bill if it simply was, "Hey, Adams, see if you can go get some money." Wouldn't have done it. Not that they don't need it, not that it wouldn't be a good investment in Nebraska, but that's not how we operate. It's not how I would want to operate. Instead, this bill brings a couple of different dimensions: the and the pay for performance mechanism. And those two things intrigue me. I think that they're worthy of continuing to work on them, and hopefully we can have a discussion here in the Education Committee on that and down the road if we can, so that we can put something together that the rest of the body would also deem worthy. I'd like to think that most of our colleagues believe that good teachers ought to be fairly compensated, it's just how do we do it and do it in such a way that it's responsible? Thank you, Mr. Chair. [LB1100]

SENATOR ASHFORD: How dare you introduce a bill you know something about, Senator. (Laughter) [LB1100]

SENATOR ADAMS: I know. I know I get caught on enough other stuff. [LB1100]

SENATOR ASHFORD: I've never introduced bills involving lawyers (laughter). You've done a lot of good work on this, I appreciate it. [LB1100]

SENATOR RAIKES: Thank you, Senator Adams. That will close the hearing on LB1100. And we'll move to LB1057 and Senator Howard. Senator. [LB1100]

SENATOR HOWARD: Thank you, Senator Raikes and members of the Education Committee. For the record, I'm Senator Gwen Howard, and I represent District 9. Thank you for the opportunity to introduce LB1057. I'll give a very brief overview of the bill and then I will refer you to Mr. Virgil Horne, who can provide you with more detailed information and respond to any questions you may have. This act provides equalized state aid to school districts that have obligated their property taxes for certain bond indebtedness relating to educational facilities in the common school district. The equalization feature of this act would provide a higher level of state assistance to school districts with lower valuations per student and a lower level of state assistance to school districts with higher valuations per student, but in no case provides an assistance level greater than 50 percent to any school district. The act proposes to utilize the temporary school fund as funding source for the new state assistance program. Shifting these

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funds from the support of general fund operations of school districts to the new facilities is aid program would involve several steps which Mr. Horne can explain. [LB1057]

SENATOR RAIKES: Thank you. [LB1057]

SENATOR ASHFORD: What are those steps? No, I'm just kidding (laughter). [LB1057]

SENATOR HOWARD: Hold that question, Mister. [LB1057]

SENATOR RAIKES: Questions for Senator Howard? Okay. We'll let you off. Proponents, LB1057? [LB1057]

VIRGIL HORNE: Mr. Chairman, members of the committee, my name is Virgil Horne, V-i-r-g-i-l H-o-r-n-e, representing the Lincoln Public Schools. Our thanks to Senator Howard for introducing this bill. Let me say off the top that the Lincoln Public Schools is a high valuation school district. So the impact that this bill would have on the Lincoln Public Schools is not nearly as great as it will be on some other schools around the state. Essentially, this bill looks at some fashion of providing an incentive and some state aid to school districts who have passed bond issues, and that's a key part of this process is that the bond issue has to be voted on by the people and passed, which then obligates that schools district to pay those bonds. And this bill would simply say after that occurs, the funds that are currently being distributed through the lands and funds monies, the \$24 million that was mentioned in the previous bill, would be changed. And before we even had this bill drafted, we did check with legal counsel and with bond counsel and they agree that in fact, the distribution of those funds is a statute matter. It doesn't require a change of constitution because it would be still going for the common schools. The way it would work basically is that the average value for student across the state of Nebraska would be determined. If you were lower than the average value as a school district, you would receive increased funding from the state. If you were higher than average, that would be proportionately reduced. Why do we need this type of thing? The most recent case and perhaps our poster children are Gering and Scottsbluff. Gering and Scottsbluff, as you heard last year when we heard another bill related to this topic, could go out for the same bond issue; as an example, \$10 million. The people in Gering would pay twice the property taxes for the exact same bond issue because of the value of the property that's different. And as you well know, you can't tell when you're in one or the other of those two cities unless you happen to see the city limit sign or across the river. So this addresses an issue that we've been working on for quite some time and quite frankly, we would hope that the committee would see fit to examine this bill, along with the bill that you currently have in committee that Senator Harms introduced last year. And I think while doing it, you might also take a look at a bill that I think now is a mute question but that was introduced on behalf of Cabela's to see if all of those different issues could some way address this process because we are, as Senator Raikes has said in public statements, we're one of about--I think it's 6 or 8, he

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thinks its 10 of 15, but regardless--states in the country that don't support in any fashion school buildings, that we rely totally on property taxes. Obviously this year this bill, if it were passed as it is right now and went in, it increases TEEOSA \$24 million. I'm practical enough to know that that's not the thing to do this year. But I also know that if we don't start this seed somewhere, we're never going to get a chance to really look at this. And I would simply hope that we could look at this process and this type of funding in the same fashion that we did teacher salaries for one year, and the fashion we did the special education this year, and make it a full-fledged study to get a good background of information on the issue. And that concludes my testimony. [LB1057]

SENATOR RAIKES: Thank you, Virgil. Senator Kopplin has a question. [LB1057]

SENATOR KOPPLIN: Thank you, Senator. Virgil, just so I get this straight in my mind, we're talking about appropriations funds that goes to all school districts. [LB1057]

VIRGIL HORNE: Yes. [LB1057]

SENATOR KOPPLIN: And your plan would reduce that total amount by...what'd you say, \$24 million or something? [LB1057]

VIRGIL HORNE: Well, the only appropriations that would actually be reduced, Senator, is in a nonequalized school district because the equalized school districts would make it up in TEEOSA, and that's why I say it would be an additional \$24 million...or I say \$24 million. I think that's roughly what it is right now. [LB1057]

SENATOR KOPPLIN: Yes. That's what I was trying to clear up. It disappears out of appropriations, but a school district that's equalized then gets it back through state aid. [LB1057]

VIRGIL HORNE: Exactly. [LB1057]

SENATOR KOPPLIN: Okay. Thank you. [LB1057]

VIRGIL HORNE: And I should add that that's based on census. So if you're a school in a town that happens to have a very strong parochial school in that town, you still get the money for every child that lives in the town regardless of where they go to school. That's not a big point, I'm just clarifying. [LB1057]

SENATOR KOPPLIN: It is in some districts. Thank you. [LB1057]

VIRGIL HORNE: Yeah. Yes, sir. [LB1057]

SENATOR RAIKES: Senator Adams. [LB1057]

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SENATOR ADAMS: Thank you, Virgil. Virgil, you and I had a chance to talk about this this summer. [LB1057]

VIRGIL HORNE: Yes. [LB1057]

SENATOR ADAMS: And so I had an opportunity then to point out what I thought were some problems, for me anyway, with this, but I appreciate you at least trying to put something together for us to look at. Let me ask you what to me is the essence, the question that is of the essence to me. When we have teachers salaries and so many different things that we're trying to do with educational dollars, how do we justify bricks and mortar? I mean, I don't necessarily expect you to try...I mean that's... [LB1057]

VIRGIL HORNE: It's an excellent question. [LB1057]

SENATOR ADAMS: That's what I wrestle with. [LB1057]

VIRGIL HORNE: And that's part of my concern because no school board, in my opinion, can ever reduce curriculum to build a building. I mean, that's the essence of why we're there is instruction. And if you don't have good teachers, then the instruction is not there. But if we don't start looking at buildings, we're going to end up that in a manner...I'm choosing my words carefully here. There has been a history in the state of Nebraska where institutions have not paid attention to their buildings, and consequently they eventually had to pay the piper and the state had to bail them out simply because as you fail to pay attention to the facilities, the cost more than doubles. I mean, it goes up at a much faster rate than two plus two. And somewhere along the line this has to be addressed because we simply cannot continue down this road of not making the types of changes that allow school districts to provide a safe environment to live in. I think if you really went out into the state and went around to a lot of different buildings, you'll find that many of them are very old. Some of them might not even meet some of the federal standards that are there for barriers and it's just a matter that nobody calls them on because they know if they do and the school board acts, you'll have a situation like you heard yesterday. Basically, they win the battle and lose the war because the school becomes accessible but their paying for it in their own property taxes. [LB1057]

SENATOR ADAMS: May I follow up with a couple more definitive questions, and I apologize for not having read the bill prior to getting in here today. Is there anything in the bill that you have that would, I guess, make a determination as to whether a school district in fact ought to get any funding for building? I mean, maybe there is a point where it's too late. [LB1057]

VIRGIL HORNE: That issue is addressed in Senator Harms's bill as I recall, and it's a certificate of need. And the reason this bill didn't do that is because we thought that if

the people in fact voted the bonds, then that might be proof enough. But that's why I suggest the study because I tell you, when we first came around and started talking about a certificate of need, there were a lot of people who remembered what it was like when we had a certificate of need for the hospitals, and they basically looked at me and said, are you out of your mind? You know, that's the last thing we want to do. But we had the same concerns. There would be some places that...and that was particularly true before last year's legislation or two years ago because we had some situations where if you build a new building, the possibility of being closed is not as great, let me put it that way. [LB1057]

SENATOR ADAMS: If I might, one more, and this is more of a comment than it is a question. But as I pointed out to you this summer, one of my concerns is, and what would make this more palatable to me personally, is if there was a way of assuring ourselves that if we did put state dollars into school buildings, it's going into instruction and not into tennis courts and football stadiums, and you understand what I'm saying. [LB1057]

VIRGIL HORNE: Yes, and I think it's easy for me to say, sitting in this chair today and not speaking for my board of education, that I would thoroughly agree with you, and I think the law could be written to say instructional space. Now, as an old athletic director, I'm going to tell you that the football field's an instructional place, but I know the concept that you're talking about, and I think that those are the kind of things that could be worked out so that it would be very clear what type of and where that would go. But that does go back to your other idea about having a certificate of need. There is merit to that. There certainly is. [LB1057]

SENATOR ADAMS: Thank you, Virgil. [LB1057]

SENATOR RAIKES: Other questions? I think one of the things that kind of comes up here is the divvy on the school lands temporary school fund. We've definitely got early childhood in there. We've got the teachers offering themselves as candidates and now we've got school buildings, and of course that's all, I think pretty much all general fund obligation because...well, not entirely except for nonequalized school districts, whatever you take out of the fund for other purposes is made up in TEEOSA aid. [LB1057]

VIRGIL HORNE: Absolutely. It's a direct switch in tax. I mean, that's as blunt as I can make it. That's what it is. It simply goes from the school lands funds to sales and income tax. [LB1057]

SENATOR RAIKES: Well, you know, you made a good point too about when you're talking about equalization and the fact that, you know, for one school district, why they can levy themselves \$3 and end up with a Quonset hut, and the other one, they levy themselves a penny and end up with a Taj Mahal. So the valuation per student

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equalization aspect is very important. If the state is going to, say, distribute money for teacher's salaries, should you also...I mean, if it's the case for school buildings, isn't it also the case for teacher's salaries that their can be a tremendous difference in the ability of districts based on valuation to pay for better salaries for teachers? [LB1057]

VIRGIL HORNE: You're going to put me right in the middle, aren't you? My only comment would be on that is that there is some consistency on the cost of buildings across the state, whereas teacher salaries are negotiated by district. But I would never suggest that buildings should come before teachers. I'm simply suggesting that somewhere along the line this state has to address this issue. How they do it? We may not have the right idea. We were simply looking for some kind of funds to get this thing started. This may not be the way to do, but somewhere it seems to me that we have to do that. [LB1057]

SENATOR RAIKES: Well, you raise a good point. I mean, imagine two different situations in which there's instruction happening, and say that somewhere or another there's a comparable teacher involved. But in one place you've got an aesthetically pleasing setting, plenty of light, whatever else might be involved. In the other one you've got a dungeon. To what extent is that an equal educational opportunity? So yeah, the teaching staff probably is probably equal in any meaningful sense, maybe. But the total environment, given the building, I think you'd probably say is not. And how far different does it have to get before you say it's significant that this student is not being treated equitably as compared to that student? [LB1057]

VIRGIL HORNE: And I will take that...some degree it's my testimony in the next couple of bills, but the same thing is true if the student walks in and sees that there's security in the building. I mean, if the student goes into the building and doesn't have to worry about anything but learning that day, that it's not extremely hot or it's not extremely cold or it's not an older building. I mean, we all get depressed when we go in old buildings that smell like mold. [LB1057]

SENATOR RAIKES: One final point, you know, the idea of using this to inspire school districts along the difficult direction of merger or consolidation where it's needed, do you see a role for state funding of school buildings in that process? [LB1057]

VIRGIL HORNE: I think based on sitting in here for a long time, the more often that happens, the more the state is going to save money in some cases. So it would make a logical process of saying if you merge and can get this building built, then that would be a logical thing for the state to do. There's no question about the fact that the state is going to have to address the cost of TEEOSA, and I might add, the tax equalization in educational opportunity. I mean, it's still tax equalization. That is TEEOSA. And it's a growing number that has to be addressed. But there's also these issues that are there that have to be addressed, and it is still in the constitution that good, bad, or indifferent,

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you guys are responsible to see that it happens. It's not an easy decision. There's no question about that. [LB1057]

SENATOR RAIKES: Okay. Thank you, Virgil. Any other proponents for LB1057? [LB1057]

BRIAN HALE: Senator Kopplin and members of the committee, my name is Brian Hale. I represent the Nebraska Association of School Boards. We continue to support measures that try to find alternative solutions, not only to provide equity of opportunity, and I don't think that that's reserved, although Scottsbluff and Gering are the previously described poster children, I think the example exists probably in the metro area, probably throughout the state, where when you depend solely on property tax, just as we had the problems 20 years ago with school funding in general, people have different abilities to pay all of the sudden and they do choose to do that quite often. In some ways it's a little bit...I mean, you can draw a line saying that using the permanent school fund to improve the asset of the school property and the land that the school is on would be consistent. I don't necessarily think we should do that at the expense of our teachers, of course. But this, as described before, is just a continuation of the discussion. And school boards in this state are interested in finding ways to address...not only are our people moving, requiring building of facilities, but the needs move and buildings built in the 1920s and '30s aren't necessarily suited for the functions of 2008. And so continually there is needs that districts come up with in providing services for students. We've been in this discussion quite a while and we realize that certificate of deed or something of the sort is always floating out there, and generally when the state gives you money, the state requires some method of affirmation that what's being done is good thing. We understand that and that process may well need to exist, but it shouldn't be a process that discourages people from participating in the process as well. So with that, I guess just like to say that NSAB continues to support any method by which we can get the state in as a partner in providing equal facilities throughout the state. [LB1057]

SENATOR KOPPLIN: Are there questions for Mr. Hale? I don't see any, Brian, so thank you. Are there other proponents? [LB1057]

MARY CAMPBELL: Senator Kopplin and members of the Education Committee, my name is Mary Campbell, C-a-m-p-b-e-l-l, and I'm the registered lobbyist for the Columbus Public Schools and providing support testimony for LB1057. Potentially this bill could help any school districts. But as has been testified to, districts with lower valuations per student would have the opportunity to perhaps benefit the most, and I think Columbus provides a very interesting case in point to make that argument. Platte County has three school districts with widely varying needs, demographics, and valuations per student. In the latest data, Columbus' per student valuation was around \$358,000. Next door neighbor district, Lakeview, was twice that, and Humphrey nearly

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four times that. And so again, a lower valuation district like Columbus would really look to this as a way of trying to equalize the inequities for students, as well as the tax burden on the patrons of the district. As Mr. Horne's example of Scottsbluff-Gering rings exactly true in this example that I'm giving you with the Columbus area. An identical bond issue in those three districts would bring the same amount of money to them, but the tax burden on the Columbus payers would be considerably disproportionate and unequalized, if you will. As a former teacher, I'm also...it was interesting to listen and I had many classrooms that were less than what one might have desired, and I can certainly testify as I'm sure you would agree that that environment does bear on the quality of education and the delivery to the student--yet another reason for this. I would take other questions. [LB1057]

SENATOR KOPPLIN: Are there questions from the committee? I don't see any, Mary. Thank you very much. [LB1057]

MARY CAMPBELL: Thank you. [LB1057]

SENATOR KOPPLIN: Are there other proponents? Are there opponents? [LB1057]

JESS WOLF: Senator Raikes and members of the committee, I'm Jess Wolf, J-e-s-s W-o-l-f. I'm president of NSEA, and I rise very reluctantly to oppose LB1057. Senator Howard, thank you for introducing this bill and drawing attention to the need of funding of school building structure and modernization. We agree with you that the issue needs to be addressed. And the previous testimony, I couldn't disagree with any of the things that were said. However, in light of my earlier testimony today concerning education employees, we believe addressing the salary issue is the more urgent need at this particular time. So while we support your efforts to tackle the building issue, we believe that more pressing issue lies with addressing the salary issue, and for this reason we oppose this bill. But we do, of course, support increasing funding for buildings. Thank you. [LB1057]

SENATOR RAIKES: Thank you, Jess. Questions for Jess? Don't see any, thank you. [LB1057]

JESS WOLF: Okay. Thank you. [LB1057]

SENATOR RAIKES: Any other opponents, LB1057? Neutral? Senator Howard? [LB1057]

SENATOR HOWARD: Thank you, Chairman Raikes, and I appreciate all the testimony and the people that took their time to come in here. I think we've really gotten some good discussion and I certainly agree that teacher's salaries are an issue that we need to deal with first and foremost. I think this discussion opens the door to looking at the

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building concern, and thank you for your consideration and, as always, your support.
[LB1057]

SENATOR RAIKES: Thank you, Senator Howard. Don't see any questions. That will close the hearing on LB1057, and we'll move to LB1009. Senator Avery. [LB1057]

SENATOR AVERY: Thank you, Mr. Chair. My name is Bill Avery, spelled A-v-e-r-y. I represent District 28. LB1009, this will expand the bonding authority of schools. Right now, schools are limited to a levy of 5.2 cents per \$100 of taxable valuation for qualified capital expenditures. The proceeds from the tax levy are used to pay off the bonds for these qualified projects. What this bill does is seek to expand that authority to include expenditures for safety and security purposes. Right now, school districts have this bonding authority for environmental hazards, accessibility barriers, indoor air quality, mold abatement, things of that sort. The bill defines these school districts safety and security purpose to include, but not limited to, any safety or security measures implemented or taken to ensure the safety and security of students. Before I go on, I ought to point out that on page 5 of the green copy, line 12, there is an error. That error is the number six should be five, reverse that, cross out the six, restore the five, that will be accurate. I don't know how this was overlooked but it was, so we'll need to make that correction. There are other people here who can testify on this bill and answer technical questions that might come up. But I believe this is something that this committee ought to approve because of the need schools have to improve safety measures in their schools. This would allow them to improve record keeping, security assessment expenditures associated with the crisis identification prevention, related architectural and engineering services for safety purposes, things of that sort. With that, I will stop.
[LB1009]

SENATOR RAIKES: Okay. Senator Avery, thank you. Questions for Senator Avery?
Thank you. [LB1009]

SENATOR AVERY: Thank you. [LB1009]

SENATOR RAIKES: Proponents, LB1009? [LB1009]

VIRGIL HORNE: Senator Raikes, members of the committee, my name is Virgil Horne, H-o-r-n-e. If you don't want a bill to change you shouldn't put 6.2 cents into it then, and that was my error. [LB1009]

SENATOR RAIKES: Error in the right direction, Virgil (laugh). [LB1009]

VIRGIL HORNE: Not if you want to get it passed. Basically, this bill simply includes security. It's an interesting note that security issues are not big school issues. They're little school issues. They're issues for schools across this state. Perhaps some of the

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most difficult times involving security have occurred in some of our smaller districts across the state. That's not to say that...or I should say, the only reason you can give for that is just pure dumb luck. But all of us have a problem with security. That's why we're asking for this. There is a need for everybody to get this done. It is a bonded indebtedness that it does not require a vote of the people and it is outside the levy. But it's the kind of thing that we got on the last discussion. You know, we're using the money for teachers, we're using the money for curriculum and this is a little leeway to do something for a controlled amount of tax out to get some things done that need to be done. Thank you. [LB1009]

SENATOR RAIKES: Thank you, Virgil. Questions for Virgil? Senator Kopplin has one. [LB1009]

SENATOR KOPPLIN: Thank you, Senator. Virgil, you may not have this. I'm just looking at an explanation of the bill, and we're looking at replacement of materials or so on to ensure students staff and security in the buildings and then it says in school district vehicles. What would be involved there? [LB1009]

VIRGIL HORNE: In school district vehicle? [LB1009]

SENATOR KOPPLIN: Yeah. [LB1009]

VIRGIL HORNE: The video cameras in school buses, that type of thing. [LB1009]

SENATOR KOPPLIN: Seat belts, was that in mind? [LB1009]

VIRGIL HORNE: Well, in my opinion, no. Whether that would be considered a security issue...I mean, obviously it is to secure the child. But the types of things that we're looking at are many times from outside forces when we talk about security. But that would be something that would certainly be a need to clarify. [LB1009]

SENATOR KOPPLIN: Okay. Thank you. [LB1009]

VIRGIL HORNE: Um-hum. [LB1009]

SENATOR RAIKES: Other questions for Virge? Virge, with this addition should it be made, this levy could be used for environmental hazard abatement, accessibility barrier elimination, life safety code modification, indoor air quality, mold abatement and prevention. Are there any of those we could take out of here if we add one in? [LB1009]

VIRGIL HORNE: We're getting close on asbestos I would guess, and I would guess that we may be getting close...and I have to tell you I'm talking about Lincoln here because I know Lincoln, but I don't know what it's like in other parts of the state. I don't know. I

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would think barrier. Barrier has been in there a long time. In fact, that was one of the first ones and asbestos was one of the first ones to be in there. But I can't give you a good answer. If a representative from the state department is going to testify, I don't know if he is or not, but he may know that answer but I'm not aware of it right off the top. [LB1009]

SENATOR RAIKES: You don't know how many school districts in the state use this levy authority? [LB1009]

VIRGIL HORNE: No, sir. [LB1009]

SENATOR RAIKES: Okay. Senator Kopplin has the answer, or at least a question. [LB1009]

SENATOR KOPPLIN: No, I don't. I have a question and kind of a comment. In light of can we eliminate, for instance, asbestos. Having been very much involved in asbestos abatement and think you're in good shape, then you run into tile removals, which suddenly you have a new asbestos program. So I would question being able to eliminate any of these things. [LB1009]

VIRGIL HORNE: Then again it depends on the age of your buildings. [LB1009]

SENATOR KOPPLIN: Right. [LB1009]

SENATOR RAIKES: Okay. Any other questions for Virgil? I don't see any. Thank you, Virgil. Any other proponents, LB1009? Russell. [LB1009]

RUSS INBODY: Good afternoon, Senator Raikes, members of the Education Committee. I'm Russ Inbody, R-u-s-s I-n-b-o-d-y, and I'm representing the Nebraska Department of Education and the State Board of Education. And the State Board of Education supports this expansion of the use of the qualified capital purpose undertaking fund. And with that, I would respond to any questions. [LB1009]

SENATOR RAIKES: Okay. Questions for Russ? All right. How many school districts in the state use this? [LB1009]

RUSS INBODY: I don't know. [LB1009]

SENATOR RAIKES: You're right, you did respond (laughter). [LB1009]

RUSS INBODY: I can find that out. I know there's about \$13 or \$14 million that's levied for that fund, but I don't... [LB1009]

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SENATOR RAIKES: Do you have any idea how much Lincoln levies? [LB1009]

RUSS INBODY: Probably a lot. [LB1009]

SENATOR RAIKES: Not more than \$13 or \$14 million (laugh). [LB1009]

RUSS INBODY: No, I don't have any...but I can get that information if you'd like to have that. [LB1009]

SENATOR RAIKES: All right. That would be helpful I think. And there's no requirement for a school district to say which one of these that they're using this for, or is there? Do you get information on that? [LB1009]

RUSS INBODY: No, we do not. [LB1009]

SENATOR RAIKES: Okay. [LB1009]

RUSS INBODY: It would be for any of those issues. We don't get what they're levying it for. You're right. One thing, in response to that question though, remember it is hazardous materials. It's not only asbestos, it could be lead in the water, it could be underground storage tanks that are polluting the...so it's any hazardous materials. It doesn't specifically say asbestos. [LB1009]

SENATOR RAIKES: How about accessibility barrier elimination project? [LB1009]

RUSS INBODY: I would guess there's many school districts in the state that could use this fund to do that. I think there was previous testimony that many of the buildings probably are not accessible and they get a pass because of the cost of doing so. [LB1009]

SENATOR RAIKES: Okay. Any other questions? Thank you, Russ. [LB1009]

RUSS INBODY: You're welcome. [LB1009]

SENATOR RAIKES: Yes, other proponents? [LB1009]

BRIAN HALE: Senator Raikes, members of the committee, Brian Hale, again, from the Nebraska Association of School Boards. "Again" is not in my name. I would like to just point out that the delegate assembly of the Nebraska Association of School Boards adopted a resolution this November past that supported the notion of including security expenses as a qualifying use for this fund and this sort of levy authority. And so with that, I think that the costs of security, obviously, measures, from cameras to all sorts of other entry and exit sorts of issues do come into play quite often, and it's not something

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you can probably put off for a five-year plan. You really want to make sure that the building is secure today as opposed to over a program it sort of process. So just would like to let you know that this matches directly with one of the wishes of our delegate assembly. [LB1009]

SENATOR RAIKES: Okay. Thank you, Brian. Questions? Same question, are there any of these that could be stricken from the list? [LB1009]

BRIAN HALE: You know, I think there's more and more buildings as they're built new and as districts are coming up with needs to do so, they are getting to the point where I think more than not are probably accessible, but I don't think all of them are. And a lot of times districts don't address accessibility needs until the need arises, until somebody comes and has difficulty getting up a flight of stairs or that sort of thing. So I think there's probably still a need along those lines. I can't really say. As was mentioned before, asbestos is something that's always subject to break loose in a ceiling or a floor tile. Have we gotten most of the lead out of our pipes? Probably a majority, probably a vast majority, but is somewhere there a possibility that back behind the elbow somewhere there's a pipe that needs replaced, I'm not sure I could tell you that. [LB1009]

SENATOR RAIKES: Well, in order to prevent this nearly annual occurrence, would it be well to add another one saying anything and everything that you might come up with? [LB1009]

BRIAN HALE: These sorts of issues at least are consistent in as much as they are aimed at the safety of students in terms of the environment up to this point, and I think in some respects, trying to maintain that the good guys stay in and the bad guys stay out has something to do with the environment of the school. Yeah, I guess you could eliminate the future discussion by saying anything and everything. But I think that this at least gives it some sort of barrier. [LB1009]

SENATOR RAIKES: Okay. It's hard for me to tell exactly what, but I'll take your word for it. Okay? All right. Any other questions? I don't see any. Thank you, Brian. Any other proponents, LB1009? Are there opponents, LB1009? Anyone in a neutral capacity? Senator Avery? [LB1009]

SENATOR AVERY: You could have spared me this second trip to the mic had you not made that last statement about anything and everything. [LB1009]

SENATOR RAIKES: You like that one? [LB1009]

SENATOR AVERY: Yeah, because really what you are raising is a conversation we need to have, and that's overarching look at this entire authority, the bonding authority. Is it out of hand? I don't know. But this is probably not the place and time to have that

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discussion. But I do agree with the underlying principle that you were raising, and we need to do that probably, maybe not this year. To answer a specific question that was raised, Lincoln, LPS, does levy 4.8 cents currently. [LB1009]

SENATOR RAIKES: Okay. [LB1009]

SENATOR AVERY: That is all I have. [LB1009]

SENATOR RAIKES: Thank you, Senator. Questions for Senator Avery? I don't see any. Thank you. That will close our hearing on LB1009. [LB1009]

SENATOR KOPPLIN: Okay. This will open the hearing on LB1036. Senator Raikes, you're to open. [LB1036]

SENATOR RAIKES: Thank you, Senator Kopplin, members of the committee, Ron Raikes, District 25, here to introduce LB1036. Section 79-10,110 provides school districts with the authority to levy up to 5.2 cents per \$100 valuation for certain kinds of safety and security projects and qualified zone academy bonds. LB1036 proposes to limit the proceeds of this levy, beginning with the 2008-09 school year, to the maximum amount that could be generated by this levy for the school year 2007-08. I want to make it clear that I do not oppose providing school districts with the authority to levy for the purposes contained in this statute. In fact, I sponsored the bill in 2003 that expanded this section to include life safety code violations, indoor air quality, and mold abatement projects. At the same time, I do have concerns about the implications of this levy on taxpayers and on government transparency. As it now stands, the tax levy to directly meet the cost of the project specified in subsection 1 of this section--environmental hazards, accessibility barriers, life and safety code violations, indoor air quality, and mold abatement--is subject to the levy limitation. However, if a school district chooses to finance these projects by issuing bonds, which they are authorized to do in subsection 9 of 79-10,110 without a vote of the people, the levy to finance those bonds is exempt from the lid. A couple of points on this: First, I'm concerned about the ability of local political subdivisions, not just school districts, to escape their applicable levy limitations without voter approval. The levy limitations were put in place to equalize and limit property tax burdens on behalf of taxpayers. And for that reason, it seems to me that the taxpayers ought to give their consent for local governments to levy in excess of the lid. Second, I feel it is poor public policy to base eligibility for a levy lid exception on the method of finance. It seems to me that if a particular cause justifies an exception from the lid, it ought to receive that exception whether the levy is to pay on bonds or finance costs of the project directly. Finally, a decision to bond for these projects rather than pay them directly is also less efficient, or may be less efficient, from a financial standpoint. The state, as you well know, is prohibited from borrowing to meet its needs, with the exception of limited instance provided for in the constitution. In contrast, local subdivisions not only have the opportunity to borrow, but because of the levy exception

for bonds, are actually encourage to do so. Another point to keep in mind with regard to this levy authority is that it is nonequalizing. Districts that are property rich will be able to generate a greater amount of revenue through the current 5.2 cent levy than districts that are property poor. Under this proposal, the amount that could be generated by this levy would still vary according to property valuation. However, because it freezes future proceeds at the level that could be generated this year, it would prevent disparities in levy yields from growing as valuation continues to increase. Having said all that, I want to reiterate that I do feel that it is important that school districts are able to finance the types of projects addressed in this section. I believe this proposal offers a compromise between allowing school districts to meet these needs and providing accountability and transparency to the taxpayers. However, this probably isn't a stopping point. I believe that the Legislature needs to consider the implications that the bonds issued without a vote of the public have in limiting the effectiveness of the levy lids. I've introduced a couple of proposals in the Revenue Committee that also target this issue, one that deals specifically with bond issues to pay insurance premiums, another that addresses more generally the lid exception for bonds issued by school districts without voter approval. So I guess in summary, I'm sort of tagging onto Senator Avery's closing comments; I think this is an issue that probably we need to have a discussion about to consider the various aspects. I will just point out to you that in statute, some subdivisions can bond. It's a matter of statutory language as to whether a particular subdivision has the ability to bond. Bonding is outside the levy lid as a default position. That's sort of the way we do it. The statute, however, may declare that a particular bond has to be subjected to a vote. So with all that, you end up with a varied and scattered mechanism by which subdivisions can finance projects using bonding with a vote of people, without a vote of the people, within the levy lid, without the levy lid. And I think we're well to consider, try to get our arms around all of the variation that is there and come up with maybe some thoughts about what would be a better policy to unify all this. So with that, I'll stop. [LB1036]

SENATOR KOPPLIN: Are there questions for Senator Raikes? Yeah, I have one. The whole gist of this proposal is simply that from now on you can only base this on '07-08 valuations. [LB1036]

SENATOR RAIKES: Right. So in case of Lincoln, for example, they could go up to the amount...I guess the amount actually the way it's written, I believe amount that would be generated by the 5.2-cent levy. But then that dollar amount would cap the amount they could access after that. So presumably with increasing valuation as time went on, that levy allowance outside the lid would diminish. Is that a great idea? Maybe not, but it does, I think, highlight an issue here. [LB1036]

SENATOR KOPPLIN: Okay. Any other questions? Thank you. Are there proponents for LB1036? Are there opponents for LB1036? [LB1036]

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BRIAN HALE: Senator Kopplin, members of the committee, Brian Hale from the Nebraska Association of School Boards. This seems to me to be sort of the tip of the tiger's tail as you're talking about bigger issues in school and facility financing and those sorts of things. Addressing it solely as the tip, it's not a really great idea because over time obviously property values change, districts merge. This has some...as each year goes by, sort of the shape of school districts and the shape of those levy authorities change. And so potentially if you want to set this out in an interim to bring everyone to the table to talk about the bigger picture, that may be another issue altogether. But in isolation by itself, it does create some problems over the long haul as districts are limited and the buying power of what they have to levy this way continues to diminish over the years. So with that... [LB1036]

SENATOR KOPPLIN: Are there questions from the committee? Senator Burling. [LB1036]

SENATOR BURLING: Thank you. Did I interpret what you just said to mean you don't see a problem, that there's no need for this? [LB1036]

BRIAN HALE: No need for this? [LB1036]

SENATOR BURLING: Yeah, is there a problem to be solved in your opinion? Does it need a different solution or is there no problem? [LB1036]

BRIAN HALE: I haven't particularly heard a problem other than the concern of people potentially doing things that are outside of the strict confab of the levy limitations. And to that extent, if there's concern along there, this is something that begins to address that, but it's really only one little piece of a bigger puzzle, I sense. [LB1036]

SENATOR BURLING: Okay. [LB1036]

SENATOR KOPPLIN: Other questions? I don't see any, so thank you, Brian. Are there other opponents? Is there neutral testimony? [LB1036]

VIRGIL HORNE: Senator Kopplin, members of the committee, Virgil Horne, H-o-r-n-e. We have been doing this and we did it under the old rules. We would simple ask the committee and the sponsor to include a statement that this would be applicable to any bonds that were sold after December 30, 2007 so that will catch anything that's done in the future, but it doesn't retroact to the bonds we've already worked under the assumption of the old law. [LB1036]

SENATOR KOPPLIN: All right. Are there questions for Virgil? Thank you. Is there other neutral testimony? Senator Raikes, would you like to close? And Senator Raikes waives. That will end the hearing on LB1036. [LB1036]

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Disposition of Bills:

LB1009 - Held in committee.

LB1036 - Held in committee.

LB1057 - Held in committee.

LB1100 - Advanced to General File, as amended.

Chairperson

Committee Clerk