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Education Committee Hastings
October 02, 2013

[LR182]

The Committee on Education met at 10:00 a.m. on Wednesday, October 2, 2013, in Hastings, Nebraska, for the purpose of conducting a public hearing on LR182. Senators present: Kate Sullivan, Chairperson; Jim Scheer, Vice Chairperson; Bill Avery; Tanya Cook; Al Davis; Ken Haar; Rick Kolowski; and Les Seiler. Senators absent: None.

SENATOR SULLIVAN: Well, good morning everyone. It is 10:00 o'clock so if you can take your seats, I think we will begin. I welcome everyone to the first of six Education hearings. But before I elaborate on that, I'd like to...we'll have an official welcome from our host today, the chairman and president of the Hastings Public School board, Jim Boeve will make some comments.

JIM BOEVE: (Exhibit 1) Thank you. Good morning. Senator Sullivan, Education Committee, welcome to Hastings. Welcome. Welcome to Hastings High School. Welcome back in the case of one of you. We're excited to be able to host you today and be supportive of your important work. My name is Jim Boeve and my official capacity, as she said, today is I serve as the president of the Hastings Public Schools Board of Education. I want to make it very clear that I certainly do not come before you as an expert in school finance. Given events at our home last night, I'm not an expert in personal finance either. In fact, our director of finance, Jeff Schneider, who will address you shortly, will probably tell of the explanations and answers and instruction that he gives the board members here in Hastings. As I read through the minutes of the Executive Sessions you've already held, however, I realize I do wear many hats when it comes to education. And that principal among them is that I, along with all of our board members, are advocates for the students of Nebraska. We applaud you for your willingness to share the information discussed in your Executive Sessions. You have gathered considerable information, and we suspect that the public hearings you are now holding will further assist you in your work pursuant to LR182. I am in my twenty-fifth year of teaching computer tools and behavioral statistics at Hastings College. I often tell

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

Education Committee Hastings
October 02, 2013

my statistics students that, unfortunately for them, simpler is not always better. I'm sure you can relate. As you know better than most, the equitable and fair funding of schools is a significant challenge. While schools are constitutionally a state responsibility, Nebraska historically depended on local subdivisions to establish school districts. Given such reliance, Nebraska now has 249 school districts. Some serve small student populations while a few serve large populations. Some cover large geographical areas while some cover small areas. Some have few local resources while some have abundant. Given these circumstances, we would strongly urge the committee to abandon the idea of a simple funding formula. And even though the formula must be complex, we believe it must continue to be based on the following: necessary and appropriate costs minus local and available resources equals state aid for students. This past spring after 24 seasons, I retired from my position as baseball coach at Hastings College. Coaches continuously strive for group ownership; so, too, in education. Even though Nebraska's educational system was just framed in terms of school districts, we would strongly urge the committee to resist framing funding for prekindergarten through 12 education in terms of district. We need to frame our discussions of this matter to the greatest degree practical on the basis of students. When it comes to funding of our students, we must exhibit group ownership, we must all be Nebraskans. In our respectful opinion, we should also frame this discussion with the following concepts, concepts that I saw mentioned many times in the minutes of your sessions: equitable opportunity, fairness, adequacy, affordability, and predictability. As board members, we do worry about moving away from the relative stability of property taxes and forms of taxation that reflect the volatility of the economy. Should such a move be necessary for the common good, it is our hope the state will create a fund that could only be used to address the needs of students during a downturn in the economy and state revenues. As board members, we're also very concerned with the finding of the Open Sky Policy Institute that was provided to the committee in August of 2013. We are particularly concerned that both state K-12 spending and school spending have declined as a percentage of our economy and that the state is below its historical average on school funding as a share of the economy. Given the importance of

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

Education Committee Hastings
October 02, 2013

education to our students and to our state, this level of spending would appear to indicate our present of spending is incongruent with our values and likely represents an inadequate level of funding. On behalf of the Hastings Public Schools Board of Education and as a parent, a former public school teacher, and a career-long educator, thank you for your attention and for considering all of our points of view. We are proud you are in Hastings and appreciate your efforts.

SENATOR SULLIVAN: Thank you, Mr. Boeve. Before we actually get started with the testimony, a few things are in order. First of all, I guess I failed to introduce myself. I'm Senator Kate Sullivan, I'm Chair of the committee. I'm from Cedar Rapids. I represent District 41, which is a nine-county area in central Nebraska. And I'd like each of the committee members to introduce themselves as well. I'll start with the Vice Chair of the committee. []

SENATOR SCHEER: My name is Jim Scheer. I'm from District 19, which is Madison County and a little chunk of Stanton County up in northeast Nebraska.

SENATOR DAVIS: I'm Senator Al Davis from District 43. I represent 13 counties and 16 school districts from Crawford, Nebraska, east to Springview and down to Stapleton.

SENATOR KOLOWSKI: I'm Senator Rick Kolowski. I'm from District 31, and that's the southwest part of Omaha into Millard District and part of Elkhorn District as well. Thank you.

SENATOR SULLIVAN: Senator Seiler.

SENATOR SEILER: My name is Les Seiler. I represent all of Adams County and all of Hall County except the town of Grand Island.

SENATOR COOK: I'm Senator Tanya Cook. I represent northeast Omaha and Douglas

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

Education Committee Hearings
October 02, 2013

County.

SENATOR HAAR: My name is Ken Haar. I represent Legislative District 21, which is northwest Lincoln and part of Lancaster County.

SENATOR AVERY: I am Bill Avery. I represent District 28, which is in south-central Lincoln, including the State Capitol and going east to 70th.

SENATOR SULLIVAN: Thank you, Senators. We also have an additional senator in the audience, Senator Galen Hadley of Kearney, representing District 37. I don't know that there are any other sitting senators in the audience. One particular senator I hope is with us in spirit and that is Senator Ardyce Bohlke who was a chair of the Education Committee for a good number of years. And I hope she is looking down on us and sending us some thoughts and guidance for our efforts here today. It's already been alluded to of what the intentions are of LR182. We got our marching orders at the end of this last session, and the purpose is to study the alternatives for financing and delivery of public education in Nebraska. Senator Hadley is Chair of the Tax Modernization Committee, and I've been traveling with him as we've had our hearings across the state. And I want you to know that there's going to be close conversation between the two committees as we start to evolve some of the recommendations that may come out of both groups. This committee when it started its work, intentionally said we want to start with a blank slate. And that's what we have done. We have heard from people in our Executive Sessions. We've had several of them. But that's precisely what we want to do here today. Even though we have come up with some talking points, this group has not reached any consensus on any ideas, we've not issued any recommendations. We are truly here to listen both in terms of how you feel about the taxes that fund public education; if you want property tax relief, how you think that should be accomplished; how much of school funding should be supported by state aid; should spending increases fall in line with what's happening in the economy; and, perhaps, how we should fund best practices that we want to see in our public schools. And we also want

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

Education Committee Hearings
October 02, 2013

to know what you feel is working with the current formula, what is not, and maybe some ideas for some new ones. And, as I said, there will be close communication between this committee and the Tax Modernization Committee going forward. I wanted to outline a few of the logistics of the hearing. For any of you or all of you wanting to testify, there are green sheets at this table down below as well as, I think, halfway back. So we'd like you to pick up one of those green sheets and fill them out in the entirety because the sessions are being recorded, and we want an accurate recording of that, but also an indication of who is testifying. If you do not wish to testify but would like your name entered into the official record as being present, there's a form on the table midway back for that as well. So, as you come forward, we'd ask that you fill out a green sheet. And before you start to testify, LaMont at the...oh, excuse me. That reminds me, I forgot to introduce some of the people that are helping make this testimony or this hearing run. To my left is Tammy Barry, she's a legal counsel for the Education Committee as is LaMont Rainey at the far right, both legal counsels for the committee. To his immediate left is Mandy Mizerski, she's the committee clerk who will make sure that we have a proper record of this hearing. So as I started to say, LaMont will take your green sheet, and please fill that out before you come to testify. You can testify standing at the podium where the mike is. If you choose to sit down, you can do that as well and we'll move the microphone over there. If you have handouts, please, if you can, have 12 copies so we will have some for each of the senators. And when you come up to testify, please speak clearly and spell your first and last name so, again, that we can have an accurate record. We don't have a huge crowd here today, but we are having a two-hour span for the hearing. And so at this point, I would like to limit the amount of testimony to five minutes per person. And along with that, I'd ask that all cell phones be turned off. But you will see that we'll have a cell phone up here only to serve as a timer so that we can keep everybody on schedule. I think that is probably...have I forgotten anything? Again, I'm very pleased to have you all here today. The committee is eager to hear your testimony, and that's what we're here for, is to listen. I don't think we intend as a committee--I certainly don't and I think I can speak for the other committee members as well--we aren't going to drill you with questions. We are here to listen to your comments

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

Education Committee Hastings
October 02, 2013

and, hopefully, we'll have a productive day. So with that, we'd like to hear from the first testifier. [LR182]

JEFF SCHNEIDER: (Exhibit 2) Hello. Jeff Schneider, J-e-f-f S-c-h-n-e-i-d-e-r, I'm the director of finance for the Hastings Public Schools. Honorable Chair Sullivan and members of the Education Committee, first of all, thank you. I appreciate all the opportunities. Not only today, but other opportunities we've had to engage in dialogue about (inaudible). I'm going to try to hit on some of the ones that you've asked for feedback for first. The first one being reduced reliance on property taxes, the local income, and/or sales tax. I guess the question we would ask is how stable of a funding source (inaudible) agriculture. As elected officials, you guys are going to have to make that decision. We would just ask you that you consider that in making that decision. And if you do decide to go that route, we would strongly encourage education (inaudible) when the economic (inaudible) turn south. As for providing a minimum level of state funding for each district, define minimum. I think there is a minimum level now provided via income tax rebate and retirement age. I don't know if you're talking about something much more significant than that. If you are, I think it would probably help districts substantially who have a lot of flexibility in their resources now. They could maybe even lower their levy further. I think that would be difficult because the money is going to come from somewhere. So districts that are currently strapped I think would be even more strapped. So I would question thinking through that step. Based most of the need calculation on a single student need (inaudible), I would ask you, again, please consider the differences that districts face across the state: poverty, LAP, transportation needs in the western part of the state, those types of things. Please consider those as you're making those decisions. I think placing one need figure on a student could really help some and really hurt others. I'm not...(tape cuts off and then on again.) There are three things about TEEOSA that I hear concerns with a lot: It's too complex, there's too many nonequalized districts, and there's too much burden on the property taxpayers, specifically, ag land. As for being too complex, I don't think there's any way around it. Two hundred forty-nine districts, 249 different situations, it's going to take complexity to

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

Education Committee Hastings
October 02, 2013

be successful. As for too many nonequalized districts, I hear that 214 number mentioned all the time. One hundred fourteen districts, 114 districts. What I don't hear is that that's 13 percent of the students in the state. And I just ask you--I don't have the answer to this question--but when you look at a formula that says if you have enough local resources to run your school adequately, you're not going to get equalization aid. You still will receive some state aid, but not equalization aid. When you run that formula and you look at the numbers and you find that 13 percent of our students live in a situation where there's enough ample resources (inaudible). I leave that for you to answer. And then, finally, the part on the local ag landowners and the property tax burden they're bearing. I've provided some information for you and I took the schools in 2011-12 that were nonequal, and I put their levy information and valuation information from the (inaudible) and compared their receipts from 2011-12 to 2012-13. I took out the argument that, well, they had to have a substantial raise in the students from one year to the next because they lost equalization aid. They wouldn't have had equalization aid in 2011-12. That's why I selected it. My point is, if you look at those districts, the levy increases don't match the valuation increases in many cases. In other words, just because a school district experiences, say, a 20 percent valuation increase does not mean they need to collect 20 percent increase in property tax. I'm not being critical of the schools. They made local decisions, probably very good local decisions for their community. But my point is, I'm not sure that property tax owner should be asking you for more state aid. Maybe they should be having a conversation at their local board about how to best fund that school. Just asking you to consider that. The bottom line is, what I'm here to support today is TEEOSA. I believe it's the best vehicle we have. Hastings used to be at \$1.94, I believe. I can check with the business manager that was there that day (inaudible). Now we're at \$1.34, which is still a very high levy. But the levies have gotten more equitable over time. I would strongly encourage you to strengthen TEEOSA by focusing on equalization. I would suggest removing the teacher educational allowance and instructional time allowance, over time, if necessary. I understand that schools may need time to adjust. But those dollars should be repurposed for equalization. I thank you for your time and listening to my (inaudible).

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

Education Committee Hastings
October 02, 2013

[LR182]

SENATOR SULLIVAN: Thank you, Jeff. Any questions? LaMont are we okay with the sound system or do we need a few minutes to make some corrects? [LR182]

MANDY MIZERSKI: We'll try it again. [LR182]

SENATOR SULLIVAN: Okay. All right, next testifier, please. [LR182]

DEBORAH LYONS: I'll try to use my teacher voice. [LR182]

SENATOR SULLIVAN: All right, very good. [LR182]

DEBORAH LYONS: (Exhibit 3) Good morning, Senator Sullivan and members of the committee. My name is Deb Lyons, D-e-b L-y-o-n-s. I am a third-grade teacher with the Hastings Public Schools. First, I want to thank you for seeking public input on school funding. There is no doubt in my mind that providing our children with quality education must be among our very top priorities for our community and our state. For Hastings, state aid is absolutely essential to supplement the funding we receive from our property tax base. As you may know, the Hastings school district is, indeed, landlocked and cannot survive on our property tax revenue alone. There are so many needs in our district. I see them in my third-grade classroom every day. And try as we may, my students sometimes suffer from their needs not being met. For example, we have had a very hot start to our school year. In fact, my classroom temperature was at or near 100 degrees for several days. Students cannot concentrate or learn in those conditions. The district did dismiss classes at 1:00 o'clock for the first 12 days of school. That's hours of learning time every day that my third graders cannot get back. Currently there are three elementary schools in the district that do not have air conditioning. I understand there is talk of seeking approval for a bond issue that will rectify this living-condition problem.

But, again, that is a cost that the property taxpayers will be asked to bear. As you know,

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

Education Committee Hearings
October 02, 2013

state aid not only helps provide the classroom support we need to give our children a great education, it helps provide property tax relief for our citizens. I appreciate the support this committee has given to funding our public schools. The increase you approved this year is very much appreciated. But as you know, we are still far, far from meeting the needs of our students. I would ask you...ask of you these two things: Number one, make funding for education our top priority for the 2014 legislative session. And number two, consider using some of the \$600 million in the state's Cash Reserve Fund to create an education trust fund that can be used to avoid cuts to the state aid during economic recessions. Thank you for the time and your work on behalf of our children and public education. I am not an expert. My third graders will tell you I am, so don't listen to them. But I am happy to answer any questions or anything about teaching, our schools, or the needs of our students. Thank you. [LR182]

SENATOR SULLIVAN: Thank you very much. Any questions? Thank you. [LR182]

MIKE LUCAS: (Exhibit 4) Hi. My name is Mike Lucas, I am superintendent of York Public Schools. My last name is L-u-c-a-s. I'm here representing the York students as well as a newly formed group called STANCE, which stands for Schools Taking Action For Nebraska Children's Education. We've got handouts coming around to you, but STANCE's mission statement is supporting equitable learning opportunities for all Nebraska children. We are trying to be a group that is focused on helping schools come together to find more common ground and less battle ground (inaudible) battle ground (inaudible). We appreciate Senator Sullivan's leadership in trying to implement more predictability and sustainability within the TEEOSA formula as (inaudible) this is something that will benefit all the school districts. We appreciate and thank Senators for your work to fund the equitable annual of TEEOSA and we are hopeful that allocations can come closer to reaching formula calculations in the near future. We do believe in the fundamental purposes of equalization and we'd hate to see so many schools around the state moving to nonequalized status. We believe that higher levels of the special ed funding will benefit all school districts from Arthur County to OPS. We believe in

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

Education Committee Hastings
October 02, 2013

additional funding and spending authority for birth-to-five programming because this is something else that will benefit all school districts. Stating the obvious, we feel Nebraska has a revenue issue and we would like to help identify more funding sources to fund public education. We are interested in learning more about how lottery funds and an educational trust fund might help increase revenue in the future. We do believe state sales and income taxes should continue to be used for pre-K-12 education. Even though that many of our ten member schools benefit financially from instructional time and teacher education allowances, we don't believe those are good mechanisms to continue in the TEEOSA formula. We feel instructional time is a local choice and so that's not good justification for a state aid allowance, in our opinion. We also believe the teacher education allowance is kind of a local choice as well. And that's something that we feel should be phased out over time. We would like to see a reduction on the reliance of local property taxes to pay for pre-K-12 education. And we're going to continue to meet and brainstorm ideas for additional funding that is sustainable and equitable. We're still trying to figure out the averaging adjustment and how that is working with TEEOSA and wondering what the intent is behind that. We're concerned about this for 2014-15 and beyond. We presented a little poster for you, a spreadsheet, and it shows all the school districts that have 900 or more formula students. And we understand that the averaging adjustment is 2014-15 and beyond, but we used NDE data to show what the averaging adjustment would do if it was in place for 2013-14 at \$1.04 levy. And our research shows that only 18 of the 41 districts with 900-plus formula students would be receiving over the \$11.7 million that's in there. So we would encourage you to look at that and consider different angles on the averaging adjustment and to be able to communicate what the true intent of that is. Then our last bullet, we believe Nebraskans appreciate local, county, and state governmental services, and emphasis should be placed on generating sufficient revenue to support those services. We appear to be overly reliant on property taxes at the local level. And if the state tax policy focuses on reducing the property tax burden on property owners, we feel the state has to either provide local government additional state support or provide another mechanism for adequate funding. We appreciate all that you do. At the bottom of our

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

Education Committee Hastings
October 02, 2013

Web site, you'll see our STANCE Web site. It's kind of a crazy Web site, but if you go to York Public Schools' Web site there's a tab that says STANCE. We believe in transparency and honesty and openness. And you guys have done a wonderful job of modeling that for us with all your e-mails over the summer. All of our agendas, our minutes, and different documents that we will be putting out will be found on that Web site. So thank you for your time. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Lucas. [LR182]

DOUG SAATHOFF: Good morning to the Education Committee and Senator Sullivan. My name is Doug Saathoff, D-o-u-g S-a-a-t-h-o-f-f. I live northeast of Hastings here (inaudible), and I live in the Adams Central school district along with owning land in that district. I want to thank the committee for coming to Hastings today to seek input as part of their study, identifying all the sources of funding for the school finance (inaudible). I appreciate you all taking the time to travel across the state seeking different perspectives on the matter. As most of you know, property taxes are a huge burden for the agriculture producer. And as you know, over half the cost of funding local schools statewide comes from property taxes, and most of the property taxes paid at rural schools are paid by landowners. So changes that could be made to state aid amounts and distributions will directly impact the family farms of Nebraska. I must also let you know that my wife is a sixth-grade teacher and we have two daughters that are in elementary school. I want nothing more for them than to have a good public education, but I also believe that funding for that education should be provided in a way that is fair and equitable. From my perspective, it is not currently fair. In many rural counties, ag land accounts for more than 60 percent of school districts' valuation base. So what does that tell us? It tells us that a small segment of the population, farmers and ranchers of Nebraska, are carrying a heavy tax burden for funding schools. Ag land values, as we all know, have increased dramatically over the last few years. The trend will continue in the next few years. As an example, on one of my farms that is located north of town here, there has been a 74 percent increase in the valuation from 2008 to 2012. And I

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

Education Committee Hearings
October 02, 2013

know it will only get worse. The point I'm making is, it's getting harder and harder for ag producers to shoulder the burden of providing funding to rural school districts. There is also a concern of using property value with the state aid formula to measure wealth for local resources (inaudible) today. For the last few years this has been a problem for Nebraska farmers and ranchers. We have seen a record-setting drought, which limits our ability to produce farm income. Drought impacts our ability to be profitable. There are a lot of other things that the farmer is not in control of when it comes to being profitable. [LR182]

SENATOR SULLIVAN: Mr. Saathoff, could I interrupt? Could you speak just a little bit louder for purposes of the recording? Thank you. I'm sorry to interrupt. [LR182]

DOUG SAATHOFF: There are a lot of things that a farmer is not in control of when it comes to being profitable. One of those is Mother Nature, another is high input prices, and also unable to control the price of the district (inaudible). For many farmers, in 2012 and probably 2013 there will be a reduction in farm income. But the state aid formula still interprets these areas as having the capacity to fund local schools relative to other districts. My point, again, is that despite less income to pay property taxes, farmers are often asked to increase their contribution to fund local schools. I hope the committee can find a better way to balance the burden of funding schools, especially rural school districts, and distribute the burden more evenly. I don't have the answer, I wish I did. But I hope after some brainstorming the committee can find better ways to provide aid to schools. Thank you for your time today. [LR182]

SENATOR SULLIVAN: Thank you. Any questions for Mr. Saathoff. [LR182]

SENATOR DAVIS: I've got a few questions. A couple of things we've tossed around are local option sales tax or local option income tax. Would you favor something like that? [LR182]

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

Education Committee Hastings
October 02, 2013

DOUG SAATHOFF: I'm kind in favor of an income tax because if I am making money, I'm willing to pay (inaudible). I guess I'd be supportive of that. [LR182]

SENATOR DAVIS: Or local option sales tax? [LR182]

DOUG SAATHOFF: (Inaudible). [LR182]

SENATOR DAVIS: And one other thing that hasn't ever been really discussed but except in my head is an intangibles tax, which basically is, you know, a farmer has got a farm and it's worth \$1 million. And somebody else has \$1 million in stocks and bonds. I view those as both income generating, but one is exempt from taxation while the other one is not. What do you think about that as an idea? [LR182]

DOUG SAATHOFF: I think it'd be a great idea. You know, we're looking at the land as a source of wealth. I think we need to look at other sources of wealth also. [LR182]

SENATOR DAVIS: Thank you. (Inaudible). [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

DOUG SAATHOFF: Thank you. [LR182]

CHRIS NELSON: (Exhibit 5) I'm Chris Nelson, that's C-h-r-i-s N-e-l-s-o-n. Senator Sullivan, other members of the committee, I appreciate you being here today. I'm Chris Nelson, I'm director of finance for Kearney Public Schools. I want to make three basic points (inaudible) state aid. First of all, I believe that equalization is extremely important and needs to remain. What it does is recognize differences in school districts, things that we cannot control, mandated programs like special ed and like transportation, other factors such as poverty is property wealth. We also believe that to help improve the equalization format that things like instructional time allowance and the teacher

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

Education Committee Hastings
October 02, 2013

education allowance should be phased out. While these are noble causes, we believe local schools can control these areas. The reason we believe equalization is necessary and this is a proper setting is the Hastings Public Schools is a poster child for why we have equalization. Before it was in place, the levy for the Hastings Public Schools was over \$1.90. What is not working is tax equalization. And I want to point out a couple of different examples, and I'm going to come back to Hastings. When you look at the valuation per student, Hastings Public Schools is one of the poorest school districts in the state. Right next door is Adams Central. Their valuation is one of the wealthiest in the state. On a per student basis, when I calculate the amount of revenue between state aid and property taxes, Adams Central generates \$1,600 more per student than does the Hastings Public Schools. Contrasted to that is the fact that the levy is 43.5 cents less in Adams Central than in Hastings. It concerns me when I see adjoining property owners have that type of drastic difference. Even more notable is up in northeast Nebraska. Using last year's tax rates, you will find a farmer in the Humphrey school district pays a nonbond tax levy of 45 cents. A farmer south of there in Columbus Lake View pays 78 cents. And a farmer north there in the Madison school district pays \$1.07. I would note that all three school districts are nonequalized and they all receive some state aid. Lastly, part of the concern is about property taxes and justifiably so. But I would suggest that we take a look at the state aid formula and see if we can adjust to that either through the local effort rate or by working with the Revenue Committee to adjust values in ag land. It's still our belief that equalization is the vehicle to use. Changes to the formula that would undermine that (inaudible) foundation (inaudible) only provides greater resources to the schools that already have low levies and greater resources than schools with high levies and low spending and it will minimize the differences that we cannot control. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Nelson. Any questions for him? Thank you very much. [LR182]

JOHN DONDLINGER: My name is John Dondlinger, D-o-n-d-l-i-n-g-e-r, and I'm from

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

Education Committee Hastings
October 02, 2013

Shickley, Nebraska. And I'm glad to be here, it's nice to meet all you people and Senators. And my concern is the state aid to education formula. You had a hearing in April with lobbyists from Millard and the superintendent of Lincoln testified in that. And they both used the Perkins County school district as an example because they had lots of resources. Well, what are resources? I've got a question for you. Do any of you pay property taxes? Probably most of you do, just about everybody in this room. Okay. Do any of you pay property taxes with the valuation of that property? I don't think so. Do any of you pay your property taxes with income? I would think everybody does. I do. That's the only way I can pay them. I can't go out and mortgage the land to pay the property taxes, it has to be with the income. So they used Perkins County as an example because they had lots of valuation out there and not very many students. But if you go to Google and look up the income of those people, the income of Perkins County at the time this was taken was \$35,000 per house. And they were getting no state aid in education. Millard, on the other hand, their average household income was \$85,000--more than double--and they were getting millions. In fact, their lobbyist was complaining because they were getting cut \$10 million in state aid (inaudible). Well, where's the resources at? The resources are income tax. So my concern is, why isn't income of the people taken into consideration when you figure out the formulas for distributing state aid to education? That's the only question I really have. [LR182]

SENATOR SULLIVAN: Thank you. Any questions for Mr. Dondlinger? [LR182]

SENATOR DAVIS: I have some. [LR182]

SENATOR SULLIVAN: Yes. [LR182]

SENATOR DAVIS: I'll ask you the same questions I asked before. What would you think about a local option sales tax or a local option income tax? And then what do you think about an intangibles tax? [LR182]

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

Education Committee Hearings
October 02, 2013

JOHN DONDLINGER: Well, the reason I would be against that, you're talking about local. Take for instance, right now the Geneva school district. I don't know what the amount is they pay in, you know, it's 1 cent on every dollar goes into the state aid to education. Okay? The town of Geneva is taking in around half a million on a 1.5 percent sales tax. So that would equate to about \$330,000 that they're paying in to the state aid to education. And their average household income is \$45,000. And they get nothing back for this money they're sending in. And that's just down at Geneva, that doesn't take in the whole school district. It looks to me like that whole formula is really flawed as far as returning some of that money because that's what you call taxation with no representation because they're getting zero back. That's all I really have to say. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you. Any other questions? [LR182]

VIRGIL HARDEN: (Exhibit 6) Senator Sullivan, members of the Education Committee, good morning. My name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n. I am the executive director of business for Grand Island Public Schools. Again, you've been thanked many times, so thank you for (inaudible) very thoughtful and deliberate. I guess I want to make some initial comments about TEEOSA in general, some broad, sweeping things and make you think a little bit about philosophy. There is nothing inherently more unequal than the equal treatment of unequal people. So is that a statement Virgil Harden came up with? No, that's a comment from Thomas Jefferson, one of our Founding Fathers of America. So put that in the context of what we're talking about this morning, public school districts and their financing. There is nothing more inherently unequal than the equal treatment of unequal school districts. Hence, the need and the necessity for (inaudible). I'm not going to read my comments verbatim because you, of course, have them in writing. (Inaudible). One of my big concerns is over the last few years, two years, it seems like there is more of an emphasis on... [LR182]

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Rough Draft

Education Committee Hastings
October 02, 2013

SENATOR SULLIVAN: Virgil, I'm sorry to interrupt again. But apparently when we move the papers over we cover up the mike. So if you can...I think maybe some of your papers are...there. Thank you. [LR182]

VIRGIL HARDEN: Sorry. [LR182]

SENATOR SULLIVAN: That's all right. [LR182]

VIRGIL HARDEN: I'll try to speak louder. I apologize for that. I'm becoming more and more concerned that there seems to be more of an emphasis on the word "equal" in equalization than the concept and the intent behind equalization. When we equalize something, you do not give equal amounts to each party or to each thing. You take away or you reduce or you leave alone a certain amount or area that has enough resources and you give resources to those that don't have enough. So this concept of a lack of an amount of money and the resources or needs for each individual school district is, quite honestly, reprehensible in my eyes. When you look at Grand Island Public Schools and you think about the diversity...and you have a handout that shows our ethnicity, and our poverty, our ESL, our mobility, our special education. These are not issues that are unique to Grand Island Public Schools. Every school district in the state of Nebraska deals with these items. However, Grand Island Public Schools deals with (inaudible) more intense way because of the simple level, the number of children that impact on that classroom. It is--without saying that we have a lot of opportunities to affect students and bring them up out of poverty by applying a broad range of general education to them--that is the whole foundation of what a public educational system is. We need to have those resources. And specifically thinking about TEEOSA, I would propose to you that it is not working, it is not dysfunctional. In fact, I would propose it is working exactly as intended. As the wealth of the local community increases, the need for state funding goes down. It's a direct, inverse relationship. It's not very hard to understand. What is hard to understand is when a local school district that has millions of dollars behind its students wants to have state resources because somehow that's

Transcript Prepared By the Clerk of the Legislature
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Education Committee Hearings
October 02, 2013

equal or fair. That is exactly the opposite, and that kind of line of thinking has no place in the public funding of the schools in Nebraska. So I'm probably on my high horse, and I apologize. But I have responded to you at least our initial thinking and all the items you have outlined in your announcement for these hearings. I can't encourage you enough to consider some of the concepts you are looking at, especially the educational trust fund. Grand Island has repeatedly testified on behalf of that idea and concept over the last 12 years that it is high time the state in it's largest, single most important and expensive obligation put money into reserve. Albeit, I wish I had the perfect solution for how to fund that and how you fund it quickly enough and with enough resources to make it functional. I don't have that answer. One of the things you're looking at is educational resources from the lottery. So you talk about legislative priorities with district initiatives. It would be interesting to know what those are and how you would achieve consensus on what those might be. It seems to me it might be a better idea to use those resources for funding state stabilization of the fund. A number of times the idea of a local option or sales or income tax...I'm most familiar with what Iowa does with the local sales tax where they allow counties to vote. And any district in the county that supports that can use that and distribute it based on the student population in that county. And they use it for facilities. I would suggest that that would be a good model to look at. We are constantly in need of facilities. There's obviously safety concerns since the events of the last year, especially December. And, of course, technology is a continuing struggle that we (inaudible) working with kids in poverty. The more technology we can expose them to so they can have that rich, diverse curriculum. With that, I would complete my comments. [LR182]

SENATOR SULLIVAN: Thank you, Virgil. You mentioned the lottery funds. And you, I know, I'm sure, are well aware of what we currently use through the Education Innovation Fund. But you were suggesting, perhaps, a different use of those funds. Can you elaborate on that a little bit more? [LR182]

VIRGIL HARDEN: I would suggest you consider diverting those funds into a...and

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Transcriber's Office
Rough Draft

Education Committee Hearings
October 02, 2013

establishing a Tax Equalization Educational Opportunities Support Act stabilization trust fund and that you would fund those resources into that and let it go over time. And then as the ebb and flow of the economy happens...and as we all experienced in 2008-09 with the ARRA we delayed that impact to Nebraska until early in the 2010-11 school year, at least for Grand Island where we had to deal with a \$5 million, almost \$6 million decrease in state aid in one year. And we had to go through a series of public hearings and budget reductions and laying staff off. We were lucky enough that we were able to hire them back, but that would be a prime example. It does not happen every year. There is a natural ebb and flow to the economy of ups and downs. It's appropriate to fund those, plan for those. I think we can have some significant sophisticated models that would help us understand what we need. When you're talking about \$1 billion of resources being allocated through a TEEOSA formula, having a certain amount of money in the reserve and specifically for stabilizing that flow in down time, and that would be a revenue source, a revenue stream to fund it. And so that was my thinking. It's just a starting point. There are probably lots of people who say, wait a minute, that's not a good idea. I certainly recognize that. I simply want to point out that we are probably going to need some kind of revenue stream that is not currently there or we can divert and put in there and let it grow over time to make it functional. [LR182]

SENATOR SULLIVAN: Thank you. Any other questions? Senator Avery. [LR182]

SENATOR AVERY: Thank you, Madam Chair. I don't see anything here in your testimony that addresses the instructional time allowance and the teacher education allowance. Would you care to comment on that? [LR182]

VIRGIL HARDEN: Okay. Well, I would be happy to in the context of allowances and changes with the ebbs and flows of the changes in TEEOSA in general. I think that it's appropriate that we take risks as a Education Committee and put things in the formula that we think matter, that we think properly affect and control what school districts spend. In doing so, sometimes we're going to miss and make a mistake, and it's not

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Transcriber's Office
Rough Draft

Education Committee Hastings
October 02, 2013

going to work for everyone. We're going to have to back away. We're going to have to change. In doing so, again, there should be a mechanism, a plan at play for how we back away from those things. So if instruction time allowance and teacher education are not working the way you, the Legislature, intend them to and you're not getting the results that you want from school districts, and you want to back away from it, you should do that over a period of time to phase them out. You should clearly announce that you're not happy with it. You should say, we're going to phase this out or we're going to put an overlay somehow to protect districts that rely on that so they are held...I used the phrase a little bit in there about heartfelt harmonies. And I'm not sure that that's the perfect word because that implies, you know, no pain is involved (inaudible). Maybe it has to ratchet down. I would argue specifically to those (inaudible) that it is time for those to go, because I think districts across the state face those. With the advent of education on-line and advanced degrees on-line, you know, your education doesn't seem to be (inaudible). And that would be (inaudible) of something that you could say, it just is not a good cost anymore. It needs to be backed away and we're going to (inaudible) and not do it over the next three years, and here's how it's going to happen. It's clear, it's precise, it's rational, it gives districts the time to plan. Hopefully that answered (inaudible). [LR182]

SENATOR SULLIVAN: Thank you. Any other questions? Thank you for your testimony. [LR182]

VIRGIL HARDEN: Thank you. [LR182]

SHAWN SCOTT: Hello, Education Committee. First and foremost, my name is Shawn Scott, I'm the superintendent at Adams Central Public Schools. My name is spelled S-h-a-w-n S-c-o-t-t. And I appreciate this opportunity to stand in front of you. There's been a lot of great points brought up today. And from my perspective, it seems like has there been any real solutions? I'm probably going to offer a little bit something different for you guys. But the word equalization is a great word. The word equalization, is it

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

Education Committee Hearings
October 02, 2013

education or is it funding? That becomes a great difference when you start looking at it across the state. The equalization of education and educational opportunities for students is what we're all about. Now we know that funding is a major force in how we do that, but the focus should be providing a quality education. And that's where equalization should come in. I'm going to offer a couple of suggestions out here. And I've read through your concepts that the committee has put together, and some of them have some very valid points. But some of them are very dangerous, too, in taking a look at some things. First and foremost, quality education is what we're about. You guys decide or the state Department of Education decides what the minimum education is by Rule 10. So we figure out a way to provide Rule 10 and fund that only across the entire state for every student. That's what the conversation is really about. Now if districts want to offer more than that, and several districts do, they offer more than what Rule 10 offers, okay? Whether it's number of days, programs, different opportunities. You know what? Schools should be able to and be allowed to do that. Right now, with the limitations on school districts, many school districts are not. Okay? Some of the things that you listed here with foundation aid or coming up with a minimum level of state funding for each district, what you're talking about there is foundation aid. I mean, it's a traditional term, but it's called foundation aid. Schools do need to provide every education or every opportunity they can. But, again, it needs to come back to the formula--okay--needs minus resources equal state aid. Some districts have it and some districts don't. That's just a fact of the way the state is set up. It was referenced earlier about Adams Central having one of the wealthiest school districts in the state, if you want to look at valuation behind each student. Matter of fact, there's 75 other districts including Adams Central in that category. Okay? But does that put us in the top quartile? Yes. But we should not be limited in what we can offer for students too. Many of the school districts represented here offer a wide array of education. And good for them, they do a wonderful job in what they do. But at the same time, there's times Adams Central can't fund what we need to or what we want to because of other limitations set on it. Different end of the spectrum, obviously, but I don't think those limitations should be there. I'll use an example. One thing that our district would

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Rough Draft

Education Committee Hearings
October 02, 2013

drastically like to do is be able to improve and increase our elementary foreign language program. You know what? We don't have the opportunity to do it because of limitations. And all of you were sitting in Grand Island a year ago or not Grand Island, but Gretna, a year ago and heard from a parent talking about how their children in elementary were losing one of their options for elementary foreign language. And I understand that, I don't want the students to lose out on anything. There's other districts that can't offer...even offer that are sitting at the other end of the spectrum. With that, I think that there's a few things to keep in mind. First and foremost, I hope that the entire education world in Nebraska is very proud of what we do as a state, because you know what? The students we are turning out now are scoring higher than they ever have, and you guys are a huge part to that. So thank you very much for your support across the time. The other thing that we need to keep in mind is that any change...and we've got a lot of great districts in this state; we've heard from many of them today. Let's make sure that whatever happens in the state moving forward, whether it's property tax change or relief or anything like that, that we make sure that we keep education in focus and that we do not (inaudible). That we keep that as a center. Any questions? [LR182]

SENATOR SULLIVAN: Any questions? [LR182]

SENATOR DAVIS: Yes. [LR182]

SENATOR SULLIVAN: Senator Davis. [LR182]

SENATOR DAVIS: Thank you. Thank you, Madam Chair. Just so that we can kind of be clear on why you are not able to offer this elementary second language, can you kind of elaborate on that a little bit? [LR182]

SHAWN SCOTT: Yes. It's expenditure limitation placed upon the state and the growth of that. [LR182]

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Transcriber's Office
Rough Draft

Education Committee Hearings
October 02, 2013

SENATOR DAVIS: And so you would like to see some modification to that? [LR182]

SHAWN SCOTT: Yes, I would. Now I know why the state does that with when you guys...when we tried to do the--I can't think of the term--but you guys tried to compare what districts spend and you're trying to keep districts equal in spending. The fact is, again, we have so many vast differences in districts, that's not going to be that way. It just never will be. That's what's holding us back. I mean, to me, I'm big on local choice. We do have an income and sales tax in the state. It's done at the state level, which is probably where it needs to belong instead of at the local level. Let's face it, when you want to look at a local sales tax, there's some communities that would be able to generate a great deal, others that would generate absolutely none. Okay? Those things are already being done, but it's at the state level. Okay? And when you calculate that into an equalization formula, it's probably where it needs to belong so it goes to where it's needed. But for Adams Central, to answer your question, yes. It's because of expenditure limitations. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Yes. Well, thank you very much. Do you feel that citizens in your district would support raising those if the limitations and the budget lids were raised or eliminated? [LR182]

SHAWN SCOTT: Raising...what was that, property taxes? [LR182]

SENATOR HAAR: Whatever. A way to fund those. [LR182]

SHAWN SCOTT: You know what? I think that's the great part about local education and having a local school board, that if there's justification on what that money is going to, then yeah, I think there would be great support. Property tax relief, yeah. You know what? Adams Central, just like many school districts, relies very heavily on property

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Transcriber's Office
Rough Draft

Education Committee Hastings
October 02, 2013

taxes. From my understanding, it's been that way for 45 years. It's probably been that way a lot longer than that. But the bottom line is, yeah, if we can justify turning around and if it's going to cost an extra, let's say, \$75,000 to bring a foreign language to our elementary students and it's justified and needed at that level, I think our patrons would support doing that because it's going and they can see directly what it is, what education it's going to. [LR182]

SENATOR SULLIVAN: Any other questions? Senator Avery. [LR182]

SENATOR AVERY: Thank you, Madam Chair. Can you tell me again what school district you're with? [LR182]

SHAWN SCOTT: I'm with Adams Central Public Schools. [LR182]

SENATOR AVERY: Adams Central. Okay. I was going to ask you about the averaging adjustment, but I see that that's not important to your school. [LR182]

SHAWN SCOTT: Correct, it is not. We are below that 900 students, whatever. [LR182]

SENATOR AVERY: Yeah. [LR182]

SENATOR DAVIS: How many students are there at Adams Center? [LR182]

SHAWN SCOTT: Eight hundred twenty-six, I believe. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Scott. Good morning. [LR182]

MARK ADLER: (Exhibit 7) Good morning, Chairwoman Sullivan and members of the Education Committee. My name is Dr. Mark Adler, and last name is spelled A-d-l-e-r. And I am honored to serve as superintendent of Ralston Public Schools. I appreciate

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

Education Committee Hearings
October 02, 2013

the opportunity to appear before you today to speak on behalf of the students and staff and also the Ralston community. Last fall and spring I spoke to this committee during consideration of LR492 and LB640 and began my comments by stating that the Ralston Public Schools has always viewed our relationship with the state and also this committee as a partnership. Further, I stated that equalization is the paramount principle in the Tax Equity and Educational Opportunities Support Act or what we've been referring to as TEEOSA. Equalization was the goal when TEEOSA was first established and equalization should be the goal today. As all of you are very aware and have heard today, educational funding in Nebraska is very complicated. Just as all of our students across Nebraska are individuals with diverse needs and goals, educational funding across the great state of Nebraska is equally diverse. With that, I urge you to continue to research and implement ways to address the diverse needs of all students while keeping the cost of those important services equitable to all Nebraskans, all while recognizing that the TEOSSA formula and its distribution should be based on equalization. On November 21, 2012, I communicated to all Ralston Public Schools' staff that significant staff reductions would be necessary to address a \$2.7 million budget deficit. In the days and the months to follow, the board of education, administration, and staff worked tirelessly and collaboratively to develop a fiscal revitalization plan to address the revenue shortfall and regain the fiscal health of the Ralston district. Although this journey was long and emotional, it allowed our organization to prioritize needs of our students and staff. I can say with confidence, our guiding principles of achievement, character, and technology focused our decision making and none of these guiding principles were sacrificed in the process. Ralston, like many districts throughout the state has unique student needs and demographics. Ralston serves approximately 3,200 students in the Omaha metropolitan area. With one of the most diverse educational settings in Nebraska, Ralston serves students from 22 different languages, 57 percent poverty, and one of the highest concentrations of students living in short-term housing in Nebraska. The Ralston staff look at these challenges as opportunities to serve our students in providing hope, optimism, and the opportunity for a better tomorrow. Senators, I am proud of the Ralston Public Schools'

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Transcriber's Office
Rough Draft

Education Committee Hastings
October 02, 2013

students, staff, and community as we have experienced some of the highest academic growth in our school's history just this year. With one of the best school-to-parent outreach systems available, our college and career readiness programs are robust, we have outstanding professional educators teaching our students, high quality activity programs, and a thriving city of Ralston with a strong sense of community. As a school district, we have made the commitment to provide high-quality early childhood education for our youngest students. Our challenges have been to do more with less, at the same time make progress and not make excuses. On August 13, 2013, we opened our schools for the 2013-14 school year. The reality for us is that our staff is 53 people less with over half of those reductions being teachers, certified staff, and administration. Further, approximately half of the Ralston staff took salary freezes, service contracts have been reduced, workloads increased, patrons are paying the maximum allowable \$1.05 levy, and our district has experienced multiple years of declining funding. State leaders, I want to tell you, this is our reality. Now I ask for you to help advocate for our students and for our future. I urge you to focus on equitable funding for education for all Nebraskans. A one-size-fits-all approach in such a diverse state is simply not a good idea. I also ask that you continue to include a mechanism to prevent districts from further lagging behind the rest of the state on a per student basis that are low spending, have a high tax levy, and have high needs when compared to a similar populated peer group. Currently, that mechanism is called the averaging adjustment. Further, the Ralston Public Schools believe it to be essential that any solution recognize the cost of poverty, early childhood education, and students who don't speak English as their primary language. In Ralston, like many other places in Nebraska, student needs are rising and changes of the TEEOSA formula or the Nebraska tax system should address those escalating needs. As you research and formulate plans for school funding, please look at systems or solutions that are predictable, sustainable, and equitable. Finally and most importantly, I ask that you consider review and revision of the Learning Community Common Levy distribution formula. The eleven schools in the Learning Community are the only 11 schools in Nebraska that have to encounter two funding distribution formulas to determine final school aid. Since the inception of the Learning

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

Education Committee Hastings
October 02, 2013

Community the TEEOSA formula has changed several times while the Common Levy distribution formula has remained constant. We believe that any change in TEEOSA should also be accompanied with a review and potential revision of the Learning Community distribution formula as well. I want to close by thanking each of you for your time and service to the students of Nebraska. I also want to offer you any help that I can provide along the way to research and then finding solutions. And this concludes my comments, and I'd be happy to try to answer any questions that I may. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Adler. Senator Avery. [LR182]

SENATOR AVERY: Thank you, Madam Chair. You've noted that you've had a decrease in funding. [LR182]

MARK ADLER: Yes, sir. [LR182]

SENATOR AVERY: Isn't it true that your school district, except for this year, has been experiencing a decline in student population? [LR182]

MARK ADLER: We have had some decline in student population, but we also have saw the needs of our students rise. Just this year, our poverty increased 4 percent in one year. And so although we are...we have experienced some decline in students, we are also seeing more of a (inaudible) the needs of those students from in the past. [LR182]

SENATOR AVERY: So isn't it true that when you have a decline in your student population, you should expect that there would be a decline in your state aid? [LR182]

MARK ADLER: You are correct, yes, sir. Students are one of the main drivers in the state aid formula. So when you look at that, you do have to take that into consideration. But as I said, the students we have and the needs that they possess continue to escalate so that that's a concern for us. At this point, we have saw an incline in our

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Transcriber's Office
Rough Draft

Education Committee Hearings
October 02, 2013

student population. It does go up and down. I don't know that I would call that to be significant ups and downs, but it does go up and down year to year. [LR182]

SENATOR AVERY: But you...we do have in the formula a means to account for increases in poverty among those students in your schools. Is that not correct? [LR182]

MARK ADLER: Yes, you're correct, you're correct, it does. And I would advocate that we try to find ways to potentially even look at that more as we have, you know, rising needs. And the one that...the problem...the two that I'm most concerned about are...first is poverty. And if you look across our district, Senator Avery, in two different places in our district, you know, one is the Karen Western area. Karen Western School has above 77 percent poverty. It's an elementary school. But those students in those neighborhoods live in houses that are super nice but the people own those houses. So that's poverty...that's a level of poverty that's different than the students who live in the area of Mockingbird School. And most of those students are highly mobile and live in apartments. And so just balancing poverty in our own district is a challenge. And so I just...I would ask that we keep that in mind as go (inaudible). Absolutely, and you're correct, there are provisions for the poverty allowance inside the formula. But I would ask you to look for ways we could strengthen that, if possible. Obviously, there's a lot of things that have to be balanced. And I also totally understand that students across Nebraska look different. I had the opportunity to serve in Elgin, Nebraska, a rural area, one of the best schools in the state. Those students are very important as are the students in the Ralston district. So the job is difficult, I do realize, and so... [LR182]

SENATOR AVERY: But it's not a really accurate portrayal of your own situation in Ralston schools to talk about decline in state funding when you know you've had a decline in student population except for this year. But that's actually a misrepresentation of the true picture in your district. [LR182]

MARK ADLER: I don't know if it's a true representation. I mean, we have had, like I said,

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Education Committee Hearings
October 02, 2013

we have had declining students. But when you are trying to move forward no matter what that is...we did have three years of declining funding in a row. [LR182]

SENATOR AVERY: But you've had a decline of student population too. What I'm trying to get you to do is... [LR182]

MARK ADLER: Okay. [LR182]

SENATOR AVERY: ...just lay it out and be honest with us. [LR182]

MARK ADLER: Okay. [LR182]

SENATOR AVERY: If you don't...don't say to us that you've had this huge, huge decrease in funding and not tell us also the reason. [LR182]

MARK ADLER: Right, right. [LR182]

SENATOR AVERY: You seem to be suggesting there's something fundamentally wrong with the funding formula and you're being mistreated, but I think you're not telling us the whole story. [LR182]

MARK ADLER: I actually think the funding formula works well because of the diversity inside the formula. But I also don't believe that schools should have to take multiple years of declining funding even if we do lose students. The ability for us to adjust with that kind of decline in funding is difficult. And what I would contest or what I would bring forward is we've worked hard to address the revenue shortfalls that we've had. And I think in many of the cases some of those opportunities are good. But on the other hand, when we were challenged with and we're charged with providing quality education for kids, continued declining funding with some of the things we have to pay, our payroll and those kinds of things, still escalate. What we've done and what we control is

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

Education Committee Hastings
October 02, 2013

our...and we talk about this all the time. We can complain all we want, but we have to control the things we can and that's our expenditures. And so over the last year, that's what we've tried to do. We've taken some actions in our school district that I don't think you're going to see very often across the state of Nebraska. We have 53 less people working for us. We have had to do a lot of things differently. And I think that's okay, but what my worry is, is what comes forward. We have more kids this year. We have 67 more kids this year in our district this year than we did last year. But I worry about what is next. And so I understand where you're at, but when we look at our overall revenue (inaudible) what you have to work with, if it declines every year it starts cutting into services. So we are going to do our best to hopefully bring that forward, so. [LR182]

SENATOR SULLIVAN: Senator Cook, did you have a question? [LR182]

SENATOR COOK: I did. [LR182]

SENATOR SULLIVAN: Go ahead. [LR182]

SENATOR COOK: Thank you, Madam Chair. And thank you, Dr. Adler, for coming today to offer your testimony. I have some questions related to a point that you made about the issue of poverty within your school district. [LR182]

MARK ADLER: Okay, yeah. [LR182]

SENATOR COOK: That is an issue that has emerged over and over again. And here included in your testimony is the way that we chose to address it at least this year, one of the ways of being able to allow for the districts that are at the top of their levy without a lot of room to go and without a likelihood of being able to go to their constituencies and ask for more money. Could you offer...do you have any ideas that you've talked about or in your travels, ideas that might address the issue of poverty which is quite high at least from what you've described in the Karen Western. It kind of rivals what I

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Rough Draft

Education Committee Hastings
October 02, 2013

hear in the Omaha Public School District. So this is what we're for, to listen to new ideas. [LR182]

MARK ADLER: Okay. Your question is about how do you address the poverty? [LR182]

SENATOR COOK: Poverty. Absolutely. You talked...you brought that up a couple of times in your testimony and in the Q and A. [LR182]

MARK ADLER: Right, right, right. Well, I appreciate the question. And what I would recommend for...to bring forward is, are there ways that we can look at how is the poverty number generated in that part of the formula? And is that at a level that's appropriate--I don't know if it is or it isn't--and is a higher level of poverty...obviously, it is accounted for in the TEEOSA formula, but are there ways to potentially strengthen that? Are there ways to potentially...and one thing that has been a concern for me is we offer preschool at our school, early childhood education in our district. And with 57 percent of the kids living in poverty, we believe it's important to have early intervention with those kids as soon as possible. We always talk about the achievement gap and students are behind, and a lot of times those young students living in poverty are the ones that have it hard. So is there a way for us to maybe put more behind the early childhood where we can...right now in the formula the student in the TEEOSA formula for early childhood, I think it counts .4. But yet the important work that's happening there, I think, is worth more--at least in my mind--than .4. So I don't know if there's a way to make an adjustment there. I personally think that would make a big difference in student achievement early. So when you go forward I don't know if, directly, it's going to affect the poverty side, but I think it could help in our achievement, so. [LR182]

SENATOR SULLIVAN: Go ahead. [LR182]

SENATOR COOK: Okay. I have one more question. The idea of a local option sales tax has been presented as an idea that's floating out there. Is...given our situation in the

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Rough Draft

Education Committee Hastings
October 02, 2013

greater metropolitan area, is that something that you see as feasible with kind of...so many of those tax dollars being spoken for, from my observation? Maybe you see something different. [LR182]

MARK ADLER: I don't know if it's out of the question. My concern is, is the predictability of that is probably where I would (inaudible). Obviously, we know in the state how we keep an eye on what our tax revenues are and how that drives our economy. So in years where that tax revenue is high, it would probably be good. In other years, (inaudible). In our district and every district in Nebraska, I think there's a level of predictability that we can build in there somehow. I know you guys have a tough job but building predictability...and it's really important the fact that if you have ups and downs every year...and I know several of the testifiers talked about if TEEOSA has to go up and down, we understand that's going to happen once in a while. But is there a way to make it...to fill in those gaps at times? So with the tax part, I would worry about predictability. I know in the metro area you're going to generate a lot more sales tax than smaller areas like I have served in before. So I don't know how that would impact them. I think it has potential, but I think I would worry about what is that predictability at the time. [LR182]

SENATOR COOK: Thank you. [LR182]

SENATOR SULLIVAN: Senator Haar, did you have a question? [LR182]

SENATOR HAAR: Yes, I did. The \$2.7 million shortfall was or budget deficit, was that kind of a surprise or... [LR182]

MARK ADLER: It was not a surprise. It was something that we had worked with over time in the fact that we knew that there was a funding cliff, obviously, when we went through that stage. And we...our goal was to keep optimistic. We used some cash reserve over time to try to keep our services at an appropriate level. Before last year,

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

Education Committee Hastings
October 02, 2013

we cut back in different services and reduced costs wherever we could without doing significant reductions we did last year. So it wasn't a surprise, it wasn't something that just showed up on the forefront. But it was at a point where we didn't see the future getting better so we had to take some actions to get that going. What I will tell you now is, although we don't have a balanced budget between our predicted revenues and our predicted expenditures, we're pretty close. And so...and we've had to take some pretty serious action. With that being said, if we have declining funding going forward, I'm going to...my concern is going to be really high. Going back to Senator Avery's point, he's absolutely right, with increased student numbers, we're hoping to have some positive revenue. We'll see how that looks. The Ralston district took a 1.9 percent increase in valuation this year. We are part of the Learning Community, so that helps level out that tax base. But as the superintendent, I look at what is our overall funding coming in--just like you would in your house--and do I have more this year than I had last year, and what are my expenses? That's where my concern comes. And there's a lot of elements that go into that. [LR182]

SENATOR SULLIVAN: Senator Kolowski. [LR182]

SENATOR KOLOWSKI: Thank you, Madam Chair. Good morning, Dr. Adler, it's good to see you. [LR182]

MARK ADLER: Good morning, Dr. Kolowski. [LR182]

SENATOR KOLOWSKI: Thank you for coming this morning. And I appreciated your comment on the Learning Community formula. I think that's a very important thing that we look at, and try to get that balanced with the future of the TEEOSA formula, where that's going, and the things that we might need to do within the two-county area of that Learning Community. I thank you for that comment. The Ralston community and the Ralston district has had a long history of great pride in their schools. And you have many programs you're very proud of and do an excellent job with, especially in early

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

Education Committee Hastings
October 02, 2013

childhood and the things that you do at the high school and other places around your district. One of the things that I know you're also involved in because of the metro area would be the Avenue Scholars program. Would you tell us what that does for your district and those students and the history you've had there, please? [LR182]

MARK ADLER: Yeah, I'd be happy to. The Avenue Scholars program is a program funded by private organizations (inaudible) in the metro area where some of our at-risk students in high school get the opportunity to work and take classes, some at Metro Community College. They also have education/job coaches that work with them. And then it's a program where these students apply. They're at-risk students academically, potentially their background as far as their socioeconomics and those types of things. But then they can take that...those skills and build those skills with support also of the community college and colleges within the metro area. And so a lot of these kids are first-generation college (inaudible) the first ones in their family to attend college and break that cycle of poverty. So it's definitely...we've had some outstanding students take advantage of that. In my heart, I believe they probably wouldn't have had that kind of chance to be successful. So I do appreciate you bringing that up. I don't know if that's if that's on the level (inaudible). [LR182]

SENATOR KOLOWSKI: Absolutely. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

SENATOR KOLOWSKI: And thank you for your continued vigilance on that area and of the quality of those kids do exude as far as the success they've had. And thank you, again, for coming this morning. I appreciate it. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Adler. Senator... [LR182]

SENATOR DAVIS: Dr. Adler...thank you, Madam Chair. Dr. Adler, just a couple of

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

Education Committee Hastings
October 02, 2013

questions. I represent a lot of small districts and a lot of districts with declining enrollment. And I understand the pain that you're going through because it's going on all over. Alliance is in the same situation and Gordon-Rushville went through this a few years ago. So if you've got a certain pot of money basically and some people are growing and others are shrinking, we pay the price, unfortunately. But my question really comes down to this. We've talked...we said we were going to talk about everything... [LR182]

MARK ADLER: Right. [LR182]

SENATOR DAVIS: ...when we had this committee. So we talked a little bit about maybe changing the \$1.05 which was put in place 15 or 17 years ago. Got any comments on that? [LR182]

MARK ADLER: I do have comments on that. One of the things I think some of the testifiers had brought forward is local choice or local control. I think it's absolutely important. We have a very passionate school board that does a really good job. Our concern, like I'm sure some of the schools that you deal with is, is our resources don't meet the needs. And so we have to control what we can, that's our expenditures. If we had the opportunity to raise our levy, especially if you were below the \$1.05, I don't want to speak for the board but I'm fairly certain that they would make that commitment to do that. You know, many times I testified earlier this year. And one of the questions was, well, you could do a levy override if you want to. And that is a possibility. We have thought about those kinds of things. But when you look at equitable funding for Nebraska, some schools are at \$1.05 and some are not. I think, you know, local control is really important. Changing that \$1.05, I don't know. What I hear all the time is we don't want any more taxes, no more tax increases. But I also believe that if what we want to do is important, there's a cost to that. And so I suppose I would advocate for trying to find a way for schools like us to access dollars if we can. And right now we do have that way (inaudible) talk about tax override. But I would also like to see other ways

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

Education Committee Hearings
October 02, 2013

to do that. We're at \$1.27 right now. If we to a 10 cent override, we're \$1.37. That's a lot of local support. And we have great support in our school. A dollar and 37 cents is a lot higher than many of the others. And I'm not saying (inaudible). A lot of schools are under spending limits as well, so there's controls on both sides of it. There are schools that have money that can't spend it, and there are schools that have the availability to spend--Ralston--that don't have the money to spend. And so how do you make that balance work is what I'd ask you guys to take a look at. And it's complicated. You guys have a tough job. But the people in the schools have a tough job as well trying to balance that as well. (Inaudible). [LR182]

SENATOR DAVIS: Yeah. I appreciate your comments. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Adler. [LR182]

SENATOR HAAR: Could I? Pardon me. Quick question. So if you had your druthers, would you say that we need to adjust the elements in the formula or that we need to put more money into funding the formula? [LR182]

MARK ADLER: If I had my way, I would like to see both. [LR182]

SENATOR HAAR: Uh-huh. [LR182]

MARK ADLER: But the elements in the formula, I do think, work. I think we're on the right track. And I also believe that some of the things that are in the formula incentivize good practice, research-based practice. And you guys are doing that through different elements in that formula. But I don't know if the elements of the poverty allowance are strong enough to what we're dealing with now in Nebraska, not just in Ralston. I mean, there's poverty all over Nebraska. There's even rural poverty that has to be addressed. So I don't know if we're at the level of needing to in that area. I think that would be something worthwhile to look at what the other areas across our nation, how do they

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

Education Committee Hastings
October 02, 2013

address that (inaudible) poverty in their education sector. Also, I think Nebraska is a leader in a lot of ways, but I think there's probably ways that we can put together common practice that might guide us potentially, so. [LR182]

SENATOR HAAR: Thank you. [LR182]

SENATOR SULLIVAN: Well, we gave you a workout, didn't we? [LR182]

MARK ADLER: (Inaudible). I appreciate it. Absolutely, it's great to be back here. I graduated from Hastings Public Schools. I got a good education here (inaudible) TEEOSA. But I think you guys have a tough job. And if there's something we can do to help, we'd definitely do our best to do that, so. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Adler. Are there others wishing to testify?
[LR182]

JANE DAVIS: Hello, I'm Jane, J-a-n-e, Davis, D-a-v-i-s. I'm the superintendent at Hershey Public Schools. Hershey is a K-12 district with an enrollment of 547 students. They are located at Lincoln County. I am speaking at this hearing to continue providing that option funding as part of the TEEOSA formula. Twenty-five percent of the students who attend our school system are option students from four other districts around us. Parents choose to opt their children to our school district for various reasons, smaller class sizes along to a smaller community, greater participation in extra curricular activities. Some students' parents graduated from Hershey and now they choose to send their children to Hershey as well. The majority of our option students began school in kindergarten. The majority of students and staff do not even realize which students are option students and which students reside in their own district. Our district has chose not to advertise for option students nor do we transport...nor do we send transportation to the district to bring those students in. The 113 net option students that we have are spread out approximately 10 students per grade level. To ensure

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

Education Committee Hearings
October 02, 2013

appropriate class sizes, our board has placed class size limits at each grade level and limits on special education programs as well. Eliminating or changing that option funding from the TEEOSA formula would have an extreme negative impact for our school district. The current option program allows parents to have a choice in the education that their child receives, and this works very well in greater Nebraska. Our school district is also in favor of continuing the portion of the TEEOSA formula that reimburses school districts for the number of teachers who hold master's degrees. Our board of education and I both agree that teachers who continue with their education at the master's level, bring what they have learned back to the classrooms and that this has a positive impact on student learning. The majority of property tax for my district comes from ag farm ground. Our district and local city government would not benefit from imposing a sales tax at the local level. Little tax revenue would be gained from our local Kwik Stop, restaurant, or bar. We would be in favor of expanding the state sales tax so that a higher (inaudible) go toward TEEOSA funding to give property owners relief. If this is done, it should come from the needs side of the formula. We also feel that if you look at local sales tax, possibly it could be done only for first-class cities or cities at a specific population level. If a reduction of property tax takes place, the committee needs to be mindful that the reduction would take place immediately but that state aid is currently calculated a year in arrears. If this would take place, a coordinated effort with TEEOSA would be needed to be in place to bridge the one-year gap. Thank you. Do you have any questions? [LR182]

SENATOR SULLIVAN: Thank you, Ms. Davis. Can you tell me, again, the total enrollment at Hershey and, again, the number of net option students. [LR182]

JANE DAVIS: Five hundred forty-seven students, K-12. As of last year, we had 113 at option. [LR182]

SENATOR SULLIVAN: Okay. Option. Okay. Net or optioning in? [LR182]

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

Education Committee Hastings
October 02, 2013

JANE DAVIS: Net option. [LR182]

SENATOR SULLIVAN: Okay. Okay. [LR182]

JANE DAVIS: We do have 14 students that opt out of our district. We have 127 that opt in. [LR182]

SENATOR SULLIVAN: Uh-huh. Okay, thank you. Any other questions? Oh, Senator Seiler. [LR182]

SENATOR SEILER: Yes, ma'am. On your working on a master's degree, does your school board require them to get a master's degree in the area that they're teaching or can they get it in any area? [LR182]

JANE DAVIS: I believe they can get it in any area. [LR182]

SENATOR SEILER: Thank you. [LR182]

SENATOR SULLIVAN: Senator Davis. [LR182]

SENATOR DAVIS: What about your levies, Ms. Davis. [LR182]

JANE DAVIS: My levy is...we just set the levy for this year at \$1.07. [LR182]

SENATOR DAVIS: A dollar and 7 cents. So with the loss of option money, that would have a significant impact on your... [LR182]

JANE DAVIS: Yeah. It would be two-thirds of our state aid. [LR182]

SENATOR DAVIS: Of your state aid. [LR182]

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

Education Committee Hastings
October 02, 2013

JANE DAVIS: Last year's state aid was \$1.4 million and we brought in \$985,000 in net option funding. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Senator Avery. [LR182]

SENATOR AVERY: Yes. I want to go back to the teacher allowance. Would you support a change in current law that would allow disallowance only for teachers who were getting advanced degrees in the areas in which they teach? [LR182]

JANE DAVIS: Well, a lot of our master's degrees are in curriculum instruction. And that, I believe, would encompass any grade level. I guess, though, it depends on when you say the area that they teach. [LR182]

SENATOR AVERY: Well, what I mean is... [LR182]

JANE DAVIS: I guess you can exclude administrators...administrative degrees if they're still teaching in the classroom. [LR182]

SENATOR AVERY: When someone is teaching math... [LR182]

JANE DAVIS: Right. [LR182]

SENATOR AVERY: ...and they get a degree in administration or curriculum instruction, is that really helping them in the classroom to teach math? [LR182]

JANE DAVIS: Well, I think that if it gives them more input in how to shape their curriculum or instructional methods that they can use in their classroom then, yes, I do

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

Education Committee Hearings
October 02, 2013

feel that it would have an impact in the classroom. Though I do agree (inaudible) math for high school math teachers would be a very good master's degree to have. [LR182]

SENATOR AVERY: Thank you. [LR182]

SENATOR SULLIVAN: Any other questions? Thank you, Ms. Davis. Is there anyone else wishing to testify? Well, if not, I thank everyone that did testify. I thank all of you who are in attendance. If you have additional ideas that you'd like to bring forth, please don't hesitate to contact my office. As I said, the committee is listening carefully. We want to hear from Nebraskans in whatever capacity, as taxpayers, as educators, as parents. So we welcome your input. Again, I thank you and this hearing is closed. (See also Exhibits 8-11) [LR182]