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Education Committee
October 08, 2013

[LR182]

The Committee on Education met at 1:30 p.m. on Tuesday, October 8, 2013, in Macy, Nebraska, for the purpose of conducting a public hearing on LR182. Senators present: Kate Sullivan, Chairperson; Tanya Cook; Al Davis; Ken Haar; and Rick Kolowski. Senators absent: Jim Scheer, Vice Chairperson; Bill Avery; and Les Seiler. Also present: Dave Bloomfield; and Lydia Brasch.

SENATOR SULLIVAN: Folks, it's 1:30 so I think we'll get started. Welcome to LR182, the public hearing that the Education Committee is conducting to study how we deliver and finance public education, K-12, in this state. I'm Kate Sullivan of Cedar Rapids. I represent District 41 which is a nine-county area in the central part of the state. I will...Tom Carlstrom, the superintendent, is setting up chairs. But I want to thank him and the Umonhon Nation for hosting us here at Macy. We're very appreciative of that. So we thank them. I would like the other members of the Education Committee to introduce themselves. Go ahead, Senator Davis.

SENATOR DAVIS: I'm Senator Al Davis from District 43 which is the largest district in the state, 16 school districts, 13 counties from Crawford to Springview and south to North Platte.

SENATOR KOLOWSKI: I'm Senator Rick Kolowski from District 31 in the southwest part of Omaha and partial piece of the Millard Public Schools and a little bit of the Elkhorn Schools.

SENATOR SULLIVAN: Tanya...Senator Cook.

SENATOR COOK: Thank you. I'm Senator Tanya Cook. I represent Legislative District 13, and that is in the city of Omaha and northeast Douglas County.

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SENATOR HAAR: Hello, I'm Ken Haar. I'm Legislative District 21 representative which is northwest Lincoln and then the northwest corner of rural Lancaster County.

SENATOR SULLIVAN: We have three additional members of the Education Committee that were not able to be with us today, Senator Avery of Lincoln, Senator Seiler of Hastings, and--who am I forgetting--Senator Scheer of Norfolk. Also, we have a guest senator here. Senator Bloomfield, would you like to introduce yourself?

SENATOR BLOOMFIELD: I think most of you know probably know who I am. I'm basically your state senator, District 17, Dave Bloomfield. Thank you. Thank you for being here and thanks to the rest of the committee for holding the hearing up here in our district. It's a good thing to have up here.

SENATOR HAAR: And if you have complaints, he's the man to see. (Laughter)

SENATOR SULLIVAN: We have three staff people from the Education Committee that are here to help us and also make sure that the hearing gets appropriately recorded. To my left is legal counsel Tammy Barry. My far right is legal counsel LaMont Rainey. And to his left is Mandy Mizerski who is the committee clerk. So that's who we have here today, and all of you as well. And I thank you all for being here. This is the last of six hearings that we've had in the Education Committee. They've all been very well attended. And we've been very appreciative of that because in our quest in this LR182, we have had our listening ears on. And that's exactly what we wanted to do is listen to you because when we first received the charge of this legislative resolution when the committee met for the first time, we decided we wanted to start with a blank slate. Not only were we interested in looking at the current TEEOSA formula and what is and isn't working, but just as importantly, we wanted to look beyond those boundaries and see if there are some different approaches that we could take to how we fund public schools. By virtue of the fact that I'm Chair of the committee, I also sit on the Tax Modernization Committee. So I've been attending and participating in those hearings as well, and you

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can be sure that we heard a lot of comments from taxpayers on how we fund schools and the property tax burden. And so I'm quite sure with two more hearings from the Tax Modernization Committee yet to be held, after those conclude, it's...we have the expectation that this committee and the Tax Committee are going to meet to discuss some of the things that we've been hearing. As I said, the committee wanted to start with a blank slate. We've had several Executive Sessions, kicked around some ideas. But we have not come up with any consensus on any ideas, nor have we even come close to making some recommendations. So we are still, as I said, very much in a listening mode and are very appreciative of the comments that you'll bring to us. So as far as the logistics of the hearing, I believe the green sheets are in the back of the room. Is that right, Mandy? [LR182]

MANDY MIZERSKI: Yes. [LR182]

SENATOR SULLIVAN: So if you do plan to testify, I'd like you to fill out one of those green sheets. And when you do come up to testify, bring it with you and give it to LaMont. We ask that you fill that green sheet out in its entirety. After you drop off the green sheet and then come to the chair up here to testify, please state your name and spell it so...again, so we have an accurate record. If you'd rather not testify but want your name on record as being here, you can sign the sheet in the back. The same way, if you have written comments that you'd like to have entered into the public record, you can so note that and give those to LaMont as well. If you have handouts for the committee, I hope that you have 12 copies so that all of us and the staff can have copies as well. Ask that you turn off your cell phones. I think we're such...let's see. We've tried to limit...I think everyone at all the hearings has had opportunity to testify who has wanted to testify. And I don't think that will...I think that will be the case here today as well. But still, I'm using the five-minute rule. So we are going to time the testimony and hope that you'll abide by that. The little black boxes are here to record our comments as well as yours. And I think they're kind of sensitive so, you know, hold your comments to a minimum out in the audience. But to date, that has not been a

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problem. We haven't had any outbursts or anything like that and I don't anticipate that to be the case today as well. Okay, I think that pretty much takes care of it. And as I said, this will open the hearing on LR182 and entertain our first testifier. We do have two hours. (Laughter) [LR182]

SENATOR KOLOWSKI: And this could be a world record. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

JON HABBEN: Nice to see you, Senator Sullivan. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

JON HABBEN: Everybody, nice day. We should be outside. But in lieu of that, over the last several weeks...excuse me, Jon Habben, J-o-n H-a-b-b-e-n, Nebraska Rural Community Schools. Over the last several weeks, we've been having district meetings. We have six districts in our association, have two more to go, but a lot of discussions, a lot of listening, a lot of trying to understand each other. I think the obvious is that in our association when you look at nonequalized districts and equalized districts, we probably have about half of our membership in each camp. There's also another camp and that's the group that is slightly or recently nonequalized and those that are barely equalized, particularly if those folks are at \$1.05. So we have to recognize it's not just equalized and nonequalized. There is that third group that is certainly a large part of our association. A couple of just general comments: Ag land valuations over the last five years, quite honestly, you're all aware they've increased so significantly that one of the questions that I run into is, so what would this formula have looked like if ag land valuations had just increased 5 percent a year? How much different would the discussion be? How much discussion would we be having? How much money would the state need to put in given that the needs would all have been calculated the same way anyway? So that question kind of looms over the whole thing. The TEEOSA

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support for equalized districts, there's no question it's important. There's no question that...how to calculate basic funding, which allowances to put in, reexamining those periodically is probably a reasonable thing to do. The dilemma that we're faced, and I was...up until three years ago, I had been a superintendent for 17 years. The dilemma is being on the receiving end of what's coming next. What's going to change next? Will we be able to react? Will we not be able to react, all of those kinds of things that you've heard many, many times. One of the concerns in our districts, the growth in local taxes paid as equalization aid has flowed out of Nebraska, I think sometimes in trying to reduce this discussion to, "What's your levy," we sort of forget that about \$200 million in TEEOSA aid has walked away from the rural community districts across the state. Now when you look at it that way, all of sudden it becomes very apparent it's not just about levy. The local taxes paid have dramatically increased. And of course, most of that has been focused on ag landowners, whether ranchers or farmers. Now that doesn't mean the levy is a number we should just forget about because we do have to deal with \$1.05 and the discussions about, well, maybe that's outlived its usefulness, maybe it ought to be \$1.07 or \$1.10. But we do have to pay attention to taxes paid, not just the levy. Low levy doesn't necessarily mean that blanket statement--well, they got plenty of money--because taxes paid indicate that they are, without question, paying it out. The pressure on local taxes to pay for larger and larger portions of a district budget may certainly restrict educational opportunity in rural community schools. Obviously, that's a contradiction to what everybody hopes for and wants. We've talked somewhat about, well, why don't you just have distance learning? Why don't you...there's a piece in the formula that recognizes distance education. Why don't you just use distance education? Well, access is one thing. The quality of contact between teacher, curriculum, and student is beyond access. And I think we've got to step back away from that assumption that distance learning means everything and go back to a more realistic cost of good education which is quality teachers in classrooms with kids. Also suffering under this pressure is the ability to attract and maintain a strong faculty. You know, in rural community schools, the salary schedule only goes so far down and so far to the right, obviously, that being still 70, 80 percent of a district's budget. But the needs side of the

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equation for a rural community school grows slower because of that. We are trying to compete, but we're trying to compete with less ability to attract those teacher...hard enough just to find the combinations of teachers in rural settings. But now you complicate it by a more limited salary structure, salary and benefit structure to give them. But maybe the most visible piece, and you heard it from several superintendents at past hearings, the whole issue of deferred maintenance, transportation, security and safety, all of those physical things that are in any given rural community school district--and I'm not saying these don't exist in every school district--but in rural community school districts, there is that tendency to see if we can go forever on that new building, that new gym, that new whatever. You've all joked about the phrase, gosh, the new building is now 40 years old. That's the norm in rural community schools. And bond issues become even tougher to deal with now because of the increase in taxation, the increased pressure, the increased outlay; all of sudden talking about a bond issue or expanding budget authority becomes a much tougher discussion in rural areas. One of the...there are two areas I do want to emphasize though. And special education and early childhood, our association has worked pretty hard the last couple of years to highlight this issue of special education reimbursement, highlighting the fact that over the last dozen years it's gone from 80 percent, if it ever was that high, down to maybe 55 percent. Every superintendent, every business official will tell you that that means that you are taking regular education decisions and funds and paying special education needs. You create a competition which...I hate to use that word. But you create...maybe it's an uneasy relationship between special education and regular education because you can't walk away from special education requirements and needs. They are still there. They have continued to grow; funding has not. And thankfully, the \$10 million increase, the increases to 5 percent for this biennium, absolutely thankful for those things, no question about it. But special education, the need for reimbursement doesn't just stop there. It's a much greater need. And it needs to be addressed if at all possible. One of the questions that was talked about in some of our meetings was, so...okay, so we've got a 5 percent in year 2 and the formula calculates out. What if the formula leaves money there? I've got two excellent examples

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of where to put it rather than arguing about the formula. Put it in special education and put it in early childhood, even if it's only a year or two. All school districts have those needs. All school districts recognize how important those issues are, and certainly as far as high-priority need, no question about that. I don't think you'll get that argument from anybody. Constraints on spending, you've heard a lot about this over the last few years. And the idea that...well, nonequalized districts will express their frustration. My gosh, we don't get any equalized money. Why on earth are you restricting our spending? Well, you back up. You talk about the statewide GFOE and all those kinds of things. That's understandable. But it does bring up a point that a district that may have a willingness on the part of its board to grow its programs or grow its curriculum still has to deal with that spending as if it did not have those resources. And I think that's something that really...I'm glad things are going back to the pre-LB235 levels. But I think that's something that warrants being addressed, that entire concept of spending authority and unused budget authority to be able to prepare for the unforeseen or maybe the growth that you know is coming. Those things are pretty important. We got into a lot of discussions about the allowances. And it's typical, you know, you talk about the formula. So what do you talk about? You talk about the allowances. Okay, what works? What doesn't? What do you like? What don't you like? I will tell you that the teacher education allowance and the instructional time allowance find very little support in the discussions that I've had with school districts. And it's not whether or not they receive some money through the formula from them. Setting that aside, you consistently hear, well, yeah, those are important things, but I don't think the formula ought to be the piece that deals with it. And so you don't see that kind of support to continue those two elements, at least I have not seen it. Now when you look at the other allowances, you can find support for those other allowances. You know, nobody is going to say, you know what, I think we ought to eliminate poverty, or, I think we ought to eliminate LEP or the...no, you don't find support for really getting rid of those other allowances. Now you can always argue whether the mathematical balance is appropriate. But at the same time there seems to be general support for those. I will mention one thing about any of the allowances, however, and I think it kind of came to light as the summer school

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discussion developed last year...all of sudden the concern that expenses are counted or students are counted more than one time. I don't know how much of an issue that is. I know the attempt to deal with summer school and poverty and LEP last year was an attempt to deal with what might have been duplications there. Whether those duplications exist in other places, it's a reasonable thing to look at. It's part of the due diligence I think as to whether a formula is doing what it's doing. A number of other concepts that have brought forward: having an element of the formula be of what's loosely termed a foundation aid; finding a way that, in a meaningful way, for having nonequalized districts be a part of the formula. I don't think most nonequalized districts, especially when you're talking about levies of under 80 cents, I don't think they're asking for equalization aid. I don't hear that. What I hear is a concern as to, well, here's our formula. And in 2013-14 we have 114 districts that left out. Valuation is liable to keep significantly increasing on ag land. Valuations don't seem to be making much of a jump in total in our more urban areas. So what's happening? Are we just continually headed for more money flowing out of rural Nebraska? Are we just continuing to plan for: soon it will be 120, soon it will be 125, and so on in terms of districts not participating in the formula beyond what elements are left to calculated? Those are concerns that I think aren't just simply answered by, well, you're nonequalized because of your levy, so end of discussion. I think there needs to be more examination on that issue of a formula that addresses the diversity maybe less than adequately. One area that I wish we would have held on to over the last few years: state aid stabilization. We have need stabilization, an examination of whether or not the needs would need to be stabilized to maybe hold state aid...equalization aid from dropping too rapidly. But you know, in...there are districts that have lost major amounts of equalization aid that have not qualified for need stabilization because some of their factors have declined. But the reality of it is you're still maintaining a curriculum. You're still maintaining a facility. You're still maintaining teachers and so on and so on. And so to assume that that is answered...or the protection is answered with a need stabilization I think is to leave out all those other districts that may not qualify for that but yet have heavy losses of equalization funds, some districts that have gone from \$2 million or \$3 million to

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nonequalized. It's a rather significant and obvious circumstance. Along with that, the whole idea of buffering change, we hear, gosh, I wish I would have known that but it's too late to do anything to do about it. That's on the needs side of the formula. But on the resource side of the formula, the ag land spikes that have been such a part of our valuations for the last five years, maybe there needs to be some degree of ratcheting there. Again, what would have happened had the annual increases relative to state aid been limited in some fashion so that the resulting declines in equalization aid would not have been so sharp in such a short period of time? The LER, gosh, I wish that wasn't a balancing factor, but we know to some degree it is. The LER gets used to fit a target. Sure wish full funding meant that we weren't trying to fit a target and fully funding it. I think everybody wishes that. But it is a dilemma. We would sure like to see the LER stay put in one place and stay there. I'm glad it's back to...or will be back to LB235...or pre-LB235 levels. But leaving it one place I think is part of that trying to ensure predictability and planning. You've asked about local sales and income taxes. I don't find much interest in that discussion among colleagues in rural Nebraska. And I think part of that is simply from, so how much sales tax can we generate? And what if our community has already added a half-cent to pay for the swimming pool? You know, what is it that we're doing here? And I think those concerns are somewhat...maybe it's too simplistic of an assumption that it won't work. But I think there is that assumption that it won't work. And so you don't...I don't see support for local sales and income taxes. I know other states, like Iowa, you can levy at a certain...I think it's a local income tax, but you have to target it for transportation or curriculum. You know, there are ways to do those things. But just generally adding to your resources, I don't hear much support for that anyway. It's questionable whether TEEOSA has been meeting its goals. Tax equity, well, if it...in terms of levy, but in terms of taxes paid, worse. Is it funding 45 percent of the public education bill? Well, no. Do we have educational opportunity relatively balanced across the state? Well, no. And maybe those are impossible problems. But at the same time, I think in your attempts to look at not what are possibilities, I'm glad you are because it's tough to come up with those ideas. School finance is school finance. We don't usually think about other things in the formula

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besides school finance. So I wish you well on that. And I know reorganization incentives get talked about. I hope if you consider those, you keep them outside the formula with money separate from TEEOSA. I think it's a separate issue from TEEOSA. Now...and I would tell you reorganization incentive, having been through some reorganizations, I would tell you it's more accurately called reorganization support because the costs of reorganization are there and they are concrete. And a lot of times you feel like you can't be a partner because of what the cost is going to be handed to you. So I would suggest you look at that as a reorganization support, not just a reorganization incentive outside the formula. The broad definition of equalization still makes plenty of sense. Needs minus resources equals state aid. I don't think there's any doubt about that. But that doesn't mean that there's only one way to define that. It doesn't mean you can't have a piece of foundation aid or elements of aid that go across all 249 districts. It doesn't mean there's only one way to do it. After all, since about 1990 I think we've done it four or five different ways. So I appreciate your time. This is just a lot of the conversation and the discussions that I've had across a number of meetings with superintendents across the state. [LR182]

SENATOR SULLIVAN: Thank you, Jon. Appreciate your comments. In your discussion with your colleagues, have you talked about what happens when there is a correction in land values? Obviously it's going to take...there's some lag time when the property taxes go down. But when that does happen, have you talked about how the formula would then react? [LR182]

JON HABBEN: We have because everybody that has any recollection of the '80s...and of course that was a debt-ridden circumstance somewhat different than today. But the idea that valuations can get rocky and maybe tumble, people remember that. And this formula, on its surface this formula says, well, if your valuations go down, equalization comes in to make up for that. Nobody believes that that's a dollar-for-dollar exchange. It all depends on what your starting point is. And the second part of that is, how will all of the schools in the state react if ag land values tumble, dropping rural property values,

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and the potential exists for money flowing to rural Nebraska, especially if there's a limited pot? How are we going to react to that? And I think there's a pretty significant cynicism attached to that, that that may be what the formula says is supposed to happen, but I don't find very many people thinking that that's what would happen.

[LR182]

SENATOR SULLIVAN: Yesterday...well, first of all you made the comment that perhaps the \$1.05 levy lid has outlived itself. Yesterday we actually heard from a testifier who said--and you go back a little bit farther than I do in terms of history with this formula--that Jerome Warner thought in his wisdom that it should go down over time. Any thoughts on that? [LR182]

JON HABBEN: Well, I think the assumption was if you have valuations in each category that are moving upward, that you would be able to have a levy that went down and you would still be collecting a growing amount of taxes. [LR182]

SENATOR SULLIVAN: Uh-huh [LR182]

JON HABBEN: I think that's where that came from. [LR182]

SENATOR SULLIVAN: Okay. [LR182]

JON HABBEN: But the problem that you run into with that scenario is...very difficult to predict how needs are going to grow, very difficult to predict the demands on education and how they've changed over the last 20 years. You know, I...the growth, if I'm not mistaken, the average...what is it? The average spending in the state only grew at less than a percent last year. And it's like being strangled. You know, you're trying to figure out how do you meet obligations. How do you grow your compensation and hold on to your teachers? And how do you grow your programs, and especially if your enrollment has dropped a little bit? And how do you do all of those things if your budget authority is

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strangled? And that's the way I think particularly rural community schools have felt, is, how do you deal with that issue? And quite honestly, the districts that are at \$1.05 and not very much equalized, really difficult circumstance for them because they don't have any place to go. They...unless they pass an override election, you know, the only place...well, including that is to see how many taxpayers they can make mad because that's the only place they've got to go. So equalization formula to them is more than a little significant. I think there's room in the discussion for all 249 schools. I think there's room to pay attention to those issues, pay attention to those needs. And, yeah, I wish the solution was to fully fund the formula, whatever it says. And, okay, let's do that. But we've run into that for how many years now? [LR182]

SENATOR SULLIVAN: Well, and one last question from me... [LR182]

JON HABBEN: Yes. [LR182]

SENATOR SULLIVAN: ...and then I'll let some of the other senators. But you talk about not only the teacher education allowance but, also, in terms again of your colleagues, the difficulties they have attracting teachers to these rural areas. I mean, we...the teacher education allowance was put in originally to respond to one circumstance. It occurs to me we've got another circumstance operating that in some situations that perhaps needs to be addressed. [LR182]

JON HABBEN: Well, and I think the teacher education allowance at first was this idea that there were unique costs attributable to schools that were close to institutions. Well, now, it's education everywhere at the graduate level. So that certainly changed that discussion to maybe incenting it across all 249. But trying to find teachers, it has different dimensions in different places. If you are on the west edge of the state, you are dealing with Wyoming's compensation schedules. They have different resources than Nebraska, but the fact remains their compensation schedules are stronger than most of the schools in Nebraska. So you have that kind of a circumstance. You have other

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circumstances in that, well, let's see, ten years ago we made some reductions and now we've had this teacher that was now intended to deal with these three areas, that teacher now retires, oh, my gosh, now what are we going to do? We can't find that person. Or we find them and then have to grow them. Or we have to find a half-time teacher in an area where there aren't half-time teachers. Or we have to chase down a distance-learning connection just to have it for Rule 10 purposes and to provide some access. I think that whole teacher piece is really significant. The three districts that...or the four districts that I administered in, three as superintendent, in some ways you could predict what kind of teacher problems you were going to have in terms of hiring and retention. But sometimes you couldn't. In either case, whether predictable or not, you have combinations and you have needs that aren't just cleanly answered by somebody's endorsement out of college. It may not be that simple. The other side of it is, a lot of kids that go to college liked college, and they like being in those size communities where those colleges are at. There's nothing wrong with that. The problem is we need some type of competitive balance to be able to encourage them to see what so many of us like, which is the rural community circumstance. [LR182]

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

SENATOR KOLOWSKI: Thank you, Madam Chair. Jon, thank you very much for your testimony and the breadth and depth of your comments and connections with your clients, the districts that you serve. Very well done from that end. I had two areas I wanted to just briefly talk about. And that was, one, on the land prices, it seems like, I mean, there's a varied set of opinions out there as to what's going to happen. I hear people talk about the '80s and the '70s. What's not like that time any longer is four simple letters: B-R-I-C. That's Brazil, Russia, India, and China. Thirty-five, 45 years ago, they were not players like they are today. And we're not making any more land. We have to use it better and utilize it better and maximize it. But that's...it's a whole different world to feed more millions than we ever had before. So I see leveling and I see adjustments, but I don't see the bubble bursting. I don't see the mess that happened, as

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you stated, for different reasons back in the '70s or the '80s taking place. So I think that's probably with us more than we think it's going to be with us for a long time. The other aspect, on distance learning, we've had opportunities in this state and we all took part in that when we threw TVs up and connectors all over the state. We're wired beautifully in this state but we don't use it very well sometimes. But we have opportunities. And anything that we receive on education through the legislative letters and newsletters we receive, they're always talking about these courses through the universities that are universal, all across the board. They're spreading across the country right now, massive on-line courses they're called. And the opportunity for distance learning for many of our districts to enhance their curriculum, to offer different courses for students that are advanced or want to take additional things are being missed I think because of the lack of use of distance learning. Now how you use it, what you want to use it for, and what kids would qualify for those things or need those things have to be solved by those districts. It's a larger scheduling problem than just, let's get distance learning. There's lots of things that have to go into that. But it's happening. It has happened already and it's continuing to happen all across the universities and colleges across the country. And it will penetrate down into the public schools, into K-12 as we look ahead as to our distance issues in many of our places. So I just throw those on the table as discussion points. [LR182]

JON HABBEN: Yeah, and I think there are...in years past there are a few distance learning consortia that have worked through a number of... [LR182]

SENATOR KOLOWSKI: They have. [LR182]

JON HABBEN: ...those issues to do some sharing. And so there are stories of success in order to create the access that may have been lost by not having a teacher or having to drop a course. I think that's very true. I think you have...and I would agree with the belief system, I guess, that I'd certainly rather have a good teacher with the students in the same room. [LR182]

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SENATOR KOLOWSKI: Absolutely. [LR182]

JON HABBEN: No question about that. But I think sometimes it's a question of, are we supplementing or are we supplanting good education just in order to have distance ed as our solution. I think we've...there's a balance there. [LR182]

SENATOR KOLOWSKI: There is, but the reality of finding those teachers, getting those curriculum in place, and how many students would take it when you've got 100 students in your whole district? You got to answer economy of scale on some of those things too. [LR182]

JON HABBEN: Certainly. [LR182]

SENATOR KOLOWSKI: Thank you. Appreciate it. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Yeah, Jon, I'd seen you sitting there in the audience at all hearings. Now I get you in the hot seat. (Laugh) So thank you. [LR182]

JON HABBEN: Sure. [LR182]

SENATOR HAAR: No, I appreciate your in-depth response. And you and I have had discussions. As we listen to various people, obviously, we always wish we could determine what fully funding means and then fully fund. That would be the ideal. But since that doesn't happen, in some ways it's almost like a lot of people are saying, somebody else is getting our money, you know, that money is flowing from this direction or that direction. [LR182]

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JON HABBEN: Sure. [LR182]

SENATOR HAAR: And so I put some numbers together. And first of all, all 249 districts receive state aid. [LR182]

JON HABBEN: Calculated state aid. [LR182]

SENATOR HAAR: We often tend just to talk about equalization aid, but 153 districts receive \$1,000 plus per student in state aid, and 28 nonequalized districts receive \$1,000 plus. Okay, so you can't just look at that. [LR182]

JON HABBEN: Oh, no. [LR182]

SENATOR HAAR: And then I've also added up...there are six counties with ten districts having the highest enrollments. They generate...and state aid is basically sales and income tax. There's a few other sources likes state lands and so on. But those six counties generate about 70 percent of the state income and sales tax. They get about 68 percent of the state aid. And they have 61 percent of the formula. So there really isn't money flowing from the small to large or the large to the small if you just look at the gross numbers. What's the question we ought to be asking? You know, where does the fairness happen? [LR182]

JON HABBEN: Well, I have to tell you I disagree with your premise. I think when you look at...let's say, for example, there was enough money to fund everything, and you simply said, okay, it doesn't matter where money flows or if it flows or who wins and loses because there's enough money for everything. Well, we might still disagree with some of the elements of the formula, but we would look at that formula as fully funded and I would soon be thankful for that. But when you take a look at the decline in equalization aid across many B, C, and D districts and you come up with a couple of hundred million dollars since 2008-09, you have only the assumption that if those

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schools even stayed the same with no cost increases whatsoever, locally they paid \$200 million in order to do that. And so then the question becomes, okay, the money went somewhere. Okay, here's one of the things that I think everybody's asked about state aid funding as a total. If...well, let me put it a different way. Had the money not left and we would have had normal valuation increases, how much would the formula have cost the state of Nebraska, because the way \$200 million moved over five years, it can only move in one direction. In other words, money shifted across school districts. The need in districts that gained was essentially contributed to heavily by the districts that lost. Now in each of the last two years, you had, what, \$50 million increases in valuation...or in TEEOSA. But that money didn't go in any significant degree into rural Nebraska. It stayed with urban Nebraska. And if the need justified it, it justified it. But my point is, now you're not only talking about the new money not coming into rural Nebraska, you're talking about \$200 million over five years exiting rural Nebraska. Now your question is, so where...so what does all this mean? Where's the fairness? Am I done now? (Laughter) I think that's incredibly difficult. I...really is because on the one hand you're dealing with, so how much taxes is enough? And on the other hand, at what point does state aid or your equalization aid give you a level of flexibility that you're able to accomplish things that rural Nebraska can't even sniff? You know, I don't know. I don't want to go to Senator Kolowski's school and say, okay, you guys drop this, this, this, this, this, and this. Okay, now we're a little more fair. You know, you hate to take those kinds of approaches because that's not what we're trying to accomplish. You know, we're...what rural Nebraska is saying is, don't leave us out, you know, don't let us...don't put us in a position of just chasing crumbs; don't leave us out. It's great to be able to talk about many of the programs, you know. I don't...for example, what did I read? Millard, \$63,000 so that all juniors can take the ACT test or something like that? Guess how many rural community schools that happens in. See, I mean, we can't get there. A number of the...read the Lincoln Journal. How many new programs have been started recently and the new building and the new career center and all that (inaudible)? Rural community school can't get there. That's one of the questions that we have, is, maybe the enrollment level doesn't really let you get there, but can we get closer than

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we are now? And I think that's really the heart of the question, is, how do we grow education in rural Nebraska? And how much of that becomes a school finance issue where TEEOSA is directly involved? So... [LR182]

SENATOR HAAR: I'd like to continue our discussion. And just real briefly on this one, but Senator Kolowski kind of dealt with it a little bit. I don't believe distance learning is just the way you solve the problem. But do you think there might be other models out there we should be trying and maybe incentivizing, especially the really small school districts, to try some other things? [LR182]

JON HABBEN: I think they are looking. [LR182]

SENATOR HAAR: And could we find those schools if we give them some incentives? [LR182]

JON HABBEN: I'm sure some of the schools have already found different distance learning on-line solutions that they are using. I don't think there's any question about that. How extensive they are using those, I really don't know. But I do know that a lot of superintendents talk about trying to find this, trying to look at that. We got this from here. We got that from there. We joined to share this. A lot of it is going on already. [LR182]

SENATOR HAAR: Okay. Thank you. [LR182]

JON HABBEN: Um-hum. [LR182]

SENATOR SULLIVAN: Senator Davis. [LR182]

SENATOR DAVIS: Jon, I think I'll probably pursue most of my conversation with you at another time. [LR182]

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JON HABBEN: Sure. [LR182]

SENATOR DAVIS: But I think, just as a statement, we rely on property as the defining method of how we do everything. And so I think that when the committee talks about sales and income tax, what they're looking to do is open up particular opportunities for communities that have strengths there. That would come in on the resource side of the formula and, therefore, might sort of even things out a little bit more because Hyannis obviously is not going to generate anything, but we've got lots of property. Omaha has maybe more income. Lincoln might generate more sales. So I think maybe that's where I would go with that. But you talked a little bit about...I want to sort of pin you down on this here. Is NRCSA recommending relaxing the \$1.05? [LR182]

JON HABBEN: Are we recommending relaxing \$1.05? [LR182]

SENATOR DAVIS: Are you? [LR182]

JON HABBEN: No. And the reason that I don't think we can make that kind of a blanket statement is the diversity across the state doesn't lend itself to a clean discussion on that. And it has to do with lower levies, higher levies, up against the \$1.05. It has to do with how your local taxpayers feel about what's happening to them, particularly ag landowners. I think it's just a little too broad of a subject for NRCSA to simply say, yeah, it ought to be \$1.10. [LR182]

SENATOR DAVIS: And then you talked about "reorg" aid outside the formula. And I think in talking about remote schools and what we're going to do in educating those kids, you know, you can look at my district as the sort of poster child for where this probably needs to be discussed. But what are you recommending? How would you do that? Would you incentivize sort of sharing, consolidation, unification? You know, we had a unified district part of the formula some years ago I think. [LR182]

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JON HABBEN: Well, I think the incentive becomes the support and vice versa. I think what happens is if you are getting into a reorganization discussion--and let's say it's the neighboring school that is considering closing and they're talking...their board is talking to your board about how this seems like a good match, we probably ought to go forward with this, so on and so forth--and then you begin to talk about the cost of doing that and the cost of staff, the cost of certificated staff, the cost of the other buildings, the cost of maybe using two sites even if one is high school and one is middle school, and you get into that discussion about the costs that have to be absorbed, that's where I think the reorganization incentive/support can come in. And I don't know if it would be...oh, let's say a percentage of the increased cost would be...the reorganization incentive support would pick up 50 percent of the increased cost for a period of two years, you know, those kinds of things. I just think it really needs to be separate from TEEOSA. I really don't think that you want a "reorg" incentive support taking money out of TEEOSA.
[LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Jon. [LR182]

JON HABBEN: Um-hum. Sure. [LR182]

SENATOR SULLIVAN: Could I have a show of hands on how many people are planning to testify? Okay, thank you. Welcome. [LR182]

VERNON FISHER: (Exhibits 1 and 2) Good afternoon. I asked legal counsel if it was possible to give you the top-portion handout. [LR182]

SENATOR SULLIVAN: Okay. [LR182]

VERNON FISHER: I know that you've seen some documents from us. This is a new

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version. [LR182]

SENATOR SULLIVAN: Okay. [LR182]

VERNON FISHER: Can I have some of Jon's time though? (Laughter) [LR182]

SENATOR SULLIVAN: Go ahead. [LR182]

VERNON FISHER: My name is Vernon Fisher, V-e-r-n-o-n F-i-s-h-e-r. I'm the superintendent of schools with South Sioux City Community Schools. Senator Sullivan and members of the Education Committee, my name is Vernon Fisher, superintendent of South Sioux City Community Schools. And our district is a member of STANCE. With me today is Troy Loeffelholz, superintendent of Columbus Public Schools, who is also a member of STANCE. And instead of repeating the same testimony as other members of STANCE, we'd like to emphasize the unique nature of our group and our commitment to creating a funding solution that impacts all students in the state of Nebraska. So from our objectives piece, we're really coming from the E perspective on education and policy regarding the real effect of policy. We would like to elaborate on this comment through the picture of two different school districts, South Sioux City and York. Mike Lucas is the superintendent of York Public Schools and has worked with us to develop this testimony. And I won't go through each piece of information other than to build pieces together. And we're looking at student enrollment and the growth of student enrollment over time. You can see that South Sioux City and York, what our student population is but also that we're both growing school districts with York growing a little bit...at a quicker pace than we are. When you look at the makeup of our student population and the students of color, South Sioux City represents...has 76 percent of our students who represent students of color, as York has 12. And in both districts, the population that makes up the largest percentage of our students of color is Hispanic. Percentage of students who are SPED were closer in terms of the makeup of our student population. And our mobility rate is similar, although we're at or above the state averages. In terms

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of demographics around state aid, you see where we're reliant on state aid. South Sioux City is heavily reliant on state aid at 61 percent where York is at 10 percent. And then when we split that around in terms of property taxes, South Sioux City is 20 percent reliant...our budget is 20 percent reliant on property taxes with York being at 64 percent. Our levy is almost the same, but the unused budget authority looks somewhat different in terms of our ability to access funds. Our property valuation is similar to what you heard in Crete yesterday with Crete Public Schools being under \$900 million. And we did see some increase in property valuation. We're just under 3 percent whereas York is at 9.5 percent, but we would like to point out that the 15 year average in York was 4.7 percent. And we hover between 2.5 and 3 percent historically. In terms of a decrease in state aid since 2010-11...the reason I chose that date, it's the first year I was the superintendent so it was kind of an eye opener for me. You can see that over the trend line. We've had a negative increase in state aid or flat or below flat lines the past several years. We also pulled some information that was shared by the Education Committee. In looking at property value, in other words, property wealth per pupil, in South Sioux City that's \$218,000. There are only four schools that have lower property value per student, and that's Minatare, Winnebago, Umonhon Nation, and Santee. And York's property value per student is \$650,000, and that's in the bottom quartile. In terms of the poverty rate, the percentage of students receiving free or reduced lunch is 73 percent in South Sioux City. There are only eight schools with a higher percentage of free or reduced lunch, being Harvard, Omaha, Walthill, Wauneta-Palisade, Niobrara, Lexington, Umonhon Nation, and Santee. York's is growing each year and is currently 41.3 percent with elementary school having 50 percent of their students qualifying for free or reduced lunch. Our effort here is to emphasize that we have two different school districts experiencing similar trends in terms of state aid. And because other schools in the state experience similar realities, we applaud the Education Committee's willingness to revisit the funding formula. To support this claim, we offer the following information. The amount contributed to education has fallen since 2010. State aid for the 2010 school year included \$810 million from the state and \$182 million ARRA funds, SFSF. The total amount of state aid for education that school year was approximately \$992

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million. State aid to education for the current school year was just over \$906 million; not just, just over. This year the total increase in state aid was \$54 million...or \$54.5 million. And when looking at the distribution of state aid to education last year, \$53.5 million went to a few select urban districts. We are free of lobbyists and special interest groups. And we're willing to work with the legislative body to develop policy that supports a predictable, simplistic, and sustainable formula that benefits all of our school districts. And in conclusion, our schools are coming together to advocate for policy on funding that is more predictable, understandable, and sustainable. And we believe that there is an obligation to fund all schools at a higher percentage as Nebraska is one of the lowest in the nation. And the bottom line for us is the conversations and the planning is not about how the formula works for our districts but rather how is it going to negatively or positively affect the students across Nebraska. And we truly appreciate Senator Sullivan's leadership, and the members of the Education Committee, for making this unprecedented commitment to listen to the constituents across the state of Nebraska. And on behalf of STANCE and South Sioux City Community Schools, we wish to thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Fisher. I mean, I appreciate this information. Partly you present figures that sort of speak to what Mr. Habben was talking about earlier. And then, secondly, one thing that I think everyone agrees on, we wish there was more state aid going into the formula. Beyond that, has STANCE looked at some specific things that should either be done differently in the formula or that...something that maybe is outside the box? [LR182]

VERNON FISHER: I think there's been some similar conversations in areas across the state of Nebraska. In terms of where we're at, obviously, the early childhood and SPED is something that we've held on to. From South Sioux City's perspective, and I do believe that this is something that STANCE would be in agreement with, Lance Hedquist, our city administrator, has brought to the attention of the Tax Modernization group that the Marketplace Fairness Act will bring annually at this point \$32 million to

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the state of Nebraska. That's increased state revenue that hasn't been allocated at this point. We also wonder if there are opportunities for incentives for businesses and colleges or universities to partner with local school districts in terms of preparing kids for college and career. Right now there are so many different regulations or reasons to be hesitant that prevent, in particular, businesses from partnering with the local high schools or the local school districts in terms of offering opportunities for kids to be exposed to experiences that prepare them for college or career. In terms of the instructional time allowance, what I would caution...and I'm going to use this in terms of comparing instructional time allowance to teacher education, and I've shared this with several senators in the past. What...I hope that when we look at policy in the future, that we consider all outcomes, especially those that may be unintended. And what I mean by that is instructional time allowance. Prior to that, instructional time was calculated by hours. Right now it's calculated by days. We are a school district, like many school districts across the state of Nebraska, that use a research-based strategy called professional learning communities. And our kids go home roughly one hour early each week so teachers, on ongoing professional development, to look at instructional strategies, the use of data, and so forth, can pool their resources together to build their capacity in instruction. That will be used against a school like South Sioux City in terms of, it isn't recognized as a day. So we'll be penalized unfortunate...not unfortunately. Fortunately, there is need stabilization, and that will help rescue a school like South Sioux City. But we would look at it. Are there undue circumstances that would cause more harm than it would good in terms of the formula itself? [LR182]

SENATOR SULLIVAN: Okay. Thank you. [LR182]

VERNON FISHER: You're welcome. [LR182]

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

SENATOR COOK: Thank you, Madam Chair, and thank you for coming today. You

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made reference to barriers to businesses partnering with your schools for educational and employment for education opportunities. [LR182]

VERNON FISHER: Right. [LR182]

SENATOR COOK: My first question is, are those barriers within the educational system or within your own school district? Or are they barriers...are you making reference to barriers that the businesses think that they have? [LR182]

VERNON FISHER: I appreciate that question. I think that the schools would agree that we have a greater degree of flexibility in terms of working with a business. However, when it comes to business, due to liability, those kinds of things, those are greater barriers. And I'll use us as an example. In South Sioux, and I know this is happening in Columbus as well, we held a series of conversations with our community about how we prepare our kids for college and career. And the one area that we keep coming back to from our business partners are those regulations that prevent us from actually working more specifically with them. [LR182]

SENATOR COOK: Okay. So safety... [LR182]

VERNON FISHER: Safety being one of those. [LR182]

SENATOR COOK: Okay. [LR182]

VERNON FISHER: Yeah. [LR182]

SENATOR COOK: And they're unwilling to take the risk of having the... [LR182]

VERNON FISHER: The insurance part of it, yeah, yeah. [LR182]

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SENATOR COOK: ...students on site. So kind of that's their deal. [LR182]

VERNON FISHER: Um-hum. [LR182]

SENATOR COOK: Thank you. [LR182]

VERNON FISHER: You're welcome. [LR182]

SENATOR SULLIVAN: Senator Kolowski. [LR182]

SENATOR KOLOWSKI: Thank you, ma'am. Vernon, thank you for your testimony.
[LR182]

VERNON FISHER: You're welcome. [LR182]

SENATOR KOLOWSKI: Also, being a firm believer in ELCs, what you'd done on those, are you saying with an hour adjustment in one day you lose that entire day as an accountable day to the state? [LR182]

VERNON FISHER: That's the way it's been shared with us. [LR182]

SENATOR KOLOWSKI: I don't think that's true. [LR182]

VERNON FISHER: It's the accumulation of that hour--I'm sorry--over time. So there are four hours in a month, that's roughly half a day. And that accumulation is what catches up to you. So you don't lose the day, but you lose that hour and then the accumulation of the hour over time. [LR182]

SENATOR KOLOWSKI: Okay, and that accumulation ends up to be how many days by the end of the year? [LR182]

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VERNON FISHER: For us, we're at 180 days, and that would take us to 174. Is that right? [LR182]

SENATOR KOLOWSKI: One-hundred seventy-four, six days, we've been doing the same thing in Millard for about a decade now. [LR182]

VERNON FISHER: Yes, sir. [LR182]

SENATOR KOLOWSKI: And we've never had that counted up against us in away way. And we're 180 plus also. [LR182]

VERNON FISHER: We were instructed that that was the case during conversations in Kearney this summer. We did follow up with NDE and they verified that. [LR182]

SENATOR KOLOWSKI: Okay. Thank you. [LR182]

VERNON FISHER: You're welcome. [LR182]

SENATOR KOLOWSKI: I'll check with Millard. [LR182]

SENATOR SULLIVAN: Senator Davis. [LR182]

SENATOR DAVIS: I'm confused about that, too, because I thought when we redid the formula this year it was supposed to be strictly on the basis of days of school rather than, added five minutes here and five minutes there. [LR182]

VERNON FISHER: Your question is the exact question we asked. We were confused as well. So we're concerned about that time piece of it. [LR182]

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SENATOR DAVIS: I have a couple questions following up on Senator Cook's comments. So you're talking about like school-to-work programs and that sort of thing, is that where you're getting into these barrier problems? [LR182]

VERNON FISHER: Well initially, we...our conversations were, how can we get our kids into the area of business and then actually go on site, mentorships, internships, those kinds of things. And that's...LiteForm is a national...international organization. They're one of those groups that have shared their concern with regulations and the penalties associated with the negative experiences connected to that. Phillips Kiln, now FLSmidth, is another group that has shared that concern with us as well. [LR182]

SENATOR DAVIS: Have you talked to your own insurance about picking up the liability on that? [LR182]

VERNON FISHER: You know, we haven't done that. But that is something that we can consider doing. [LR182]

SENATOR DAVIS: It might be interesting to get that data because that might be something we could look at. [LR182]

VERNON FISHER: And we are with ALICAP, so that would be an interesting thing for all schools. [LR182]

SENATOR DAVIS: Do you work at all with Sioux City itself? Is there any sharing that you can do across the river? [LR182]

VERNON FISHER: Well, I can answer that two ways. I like to bring in another too. Paul Gausman and I have a good working relationship. There have...what's always interesting though is when we get down to trying to do something is, where does the dollar go and how does the dollar follow? But also then, what are the requirements in

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Iowa versus the requirements in South Sioux City or in Nebraska? And I think that there's a willingness to do something there, but we also see some of those obstacles that if given some latitude, I think that we could work through. In those college and career readiness sessions, we were interested if there was a way for us to partner with our area schools. And we did invite Homer to come to our school district...to those sessions and be a participant there. Cherrie Malcom attended every session, as her building principal did, as well. And I don't know that either one of us are comfortable with what the future looks like for that, but we're uniquely interested in, how can we partner our talents so that more needs of our kids are met and do so without a penalty to Homer or South Sioux City? And I think there are some ways of doing that. But I don't know that I can voice that we've actually gone deep enough in that, and I'm not confident that I can speak for Cherrie, and I won't. But I think that if we can look at ways that we can pool our talent and to provide greater opportunities for kids without necessarily penalizing the school districts, there are opportunities for all of us on all that. [LR182]

SENATOR DAVIS: Do you have any TIF projects in South Sioux? [LR182]

VERNON FISHER: We do. We're a heavily TIF area. I did visit with Lance about that question yesterday. [LR182]

SENATOR DAVIS: Do you have any idea what the value is? [LR182]

VERNON FISHER: I don't know what the value of our TIF is. Our business manager is...he might have a better idea. [LR182]

SENATOR DAVIS: You know, my issue with TIF is it's the city that makes the decision. The school district and the state pay the price for that. [LR182]

VERNON FISHER: Um-hum, yeah. And then the...yeah, that's right. The state is free...or doesn't calculate or gain any benefit from that in terms of valuation. You're

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absolutely right. [LR182]

SENATOR DAVIS: Right, right. Okay, thank you. [LR182]

VERNON FISHER: You're welcome. [LR182]

SENATOR SULLIVAN: Thank you, Vernon. [LR182]

VERNON FISHER: Thank you. [LR182]

TOM HAMERNIK: Good afternoon, Senator Sullivan and the rest of the Education Committee. My name is Tom Hamernik, H-a-m-e-r-n-i-k, and I wanted to touch a little bit on what Dr. Habben mentioned about merger incentives. At our recent budget-setting hearing, we had no patrons in attendance at our Clarkson Board of Education, which is interesting because everyone complains about property taxes. And school spending is out of control as we heard in Norfolk at the committee hearing. And part of that is I don't think that patrons are willing to really take the time to understand some of what goes on in schools and the increased demands that we're seeing, especially in SPED but also with our testing. We've gone through two or three changes in state testing over the past ten years and all of the staff time that it takes to bring everyone up to speed on the new testing requirements and making sure that we're meeting the state and federal requirements. It has been a very significant burden in our district. Clarkson is only six miles from each of our neighbors. To a certain extent, our community has chosen to be small. We're just under 200 students this year. We were part of the merger discussion with Howells and Dodge two years ago. I and much of our board know that we need to be merged. We're only six miles apart. Student numbers, we know that's a right thing to do, but we just can't get our communities there because it's so tough deciding who's going to get what, what facilities might close initially, or what facilities will close down the road because it makes sense to do that. We're currently in the second year of a coop sports agreement with Leigh. And it's unfortunate that many of our patrons see the

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need for competition on the athletic field but they don't understand that the same competition needs to occur in the classroom and that a merger is a way to get that competition. I know in my second daughter's class, she was one of the youngest kids in the class but she had a very good, very competitive group with her. And I know that that made a difference in her and I see that in other students as well. So we have to find a way to bring our patrons along in that discussion. The current rising valuation situation that we've been in for the past few years, I see it as muddying the waters for our merger talks because some of the patrons don't see the need to do it. Ag is good. They're not...they don't feel the pressure as much as they did in previous years. So there's even a sense that we don't have to merge because we have all the money we need. And I don't...I see it a different way. But trying to get those patrons to come along is really difficult. And unfortunately, I think until our landowners really rebel, that's when the merger will happen. And it's unfortunate but it's going to go on. In my opinion, it's going to go on until that happens. As far as the merger support, I think that really does need to come back. And I hope that it will be looked at as a way to support the new districts' needs. It's inevitable when you merge that...in eastern Nebraska anyway where districts are still fairly close together, that you're going to lose some students around the edges. We saw that with the Howells-Dodge merger. They lost a significant bunch of students to North Bend as well as West Point. And so that first year they probably set their levy too low, and they lost a bunch of students. And so they were in a bit of turmoil, especially that first year, trying to get everything worked out. And so there needs to be...that incentive needs to last for the first two or three years so that they can make adjustments, the boards can make adjustments in their facilities, staff, their student count. In the Howells-Dodge thing, you had an attempt to move land which complicated that and lawsuits and all of that stuff. And when you're in a merger discussion, your patrons want answers. They don't want, well, we're not sure how this going to work out. In a year from now we'll know. They want guarantees that we're not going to lose either state aid or we're not going to lose valuation or we're not going to lose student numbers or this group of students aren't going to go to a parochial school as opposed to separate site. And unfortunately, we can't give them specific answers. One of the other things

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that I mentioned when I had a chance to talk to the committee a few weeks ago in Lincoln was the Legislature has kind of kept a hands-off approach from the merger issue in the past. And I really don't think that that's helpful. Our district went through that. And me personally, we lost our superintendent during the middle of a merger talk. It was very contentious. And so that...a lot of that fell on the local board. And it would be very helpful if the state could offer some assistance in helping districts work through the merger process, helping to give recommendations on which facilities are best to use, staff numbers, things like that, so that it doesn't strictly fall on those local boards because it is very...it's a very damaging process in a small community. And many of those communities, those divides go on for years and years and years. And it should not be that way. I've been on a school board for 21 years now and there have been times during that history where we had to hire a bad guy, a superintendent. We needed to control a budget or we needed to control a staff issue or something like that knowing full well that that superintendent was only going to be there for two or three years because you can't...you just need him for that specific instance. Well, I see the merger thing as one of those instances where you need somebody to step in from the outside, help you sort out the right decisions, and be the bad guy and help your communities get through that and not strictly saddle the two boards and their administrator with that issue. And that's really all I have. If you have any questions, I'd be happy to try and answer them. [LR182]

SENATOR SULLIVAN: Thank you, Tom. I appreciate your testimony. And thank you for when you came to talk to the committee on behalf of the Nebraska Association of School Boards. And you did talk a lot about perhaps the state having a role in this assistance when school districts are talking to one another. Very often though they hire a consultant to give them some of those objective recommendations. So I'm just wondering, short of providing some incentives or financial support from the state perspective, what more would you want the state to do? [LR182]

TOM HAMERNIK: Twice I've worked with a consultant to help through the merger

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process. It really depends on their individual skills, their willingness to be the spokesman, to take some of the heat off of the local boards, those kinds of things. The last time we did it, our...we were somewhat limited in the options that we had for that consultant. And they really have...in a really contentious merger discussion, that's really got to be a strong individual. And they've got to be supported by your two superintendents as well. [LR182]

SENATOR SULLIVAN: No easy answers. [LR182]

TOM HAMERNIK: Yeah. [LR182]

SENATOR HAAR: Kate. [LR182]

SENATOR SULLIVAN: Senator Bloomfield. [LR182]

SENATOR BLOOMFIELD: Again, not sitting on this committee, Mr. Hamernik, it sounds like you want the Legislature to come in and be the bad guy...(inaudible). [LR182]

TOM HAMERNIK: I think it would be helpful. (Laughter) Can I be any more direct? [LR182]

SENATOR BLOOMFIELD: No, you can't and that bothers me just a little bit. I'm a very firm believer in local control. If you have two communities that do not want to consolidate, I don't believe the state should be coming in and saying, you're going to whether you want to or not. And that kind of sounds like where you're leading. [LR182]

TOM HAMERNIK: I don't...that's not what I would like to see, but I think that the state could assist that and help provide support for some of the decisions on the facilities issues and the staff issues. It will be very interesting if there is a correction in land, what happens with the consolidation talks... [LR182]

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SENATOR BLOOMFIELD: It will. [LR182]

TOM HAMERNIK: ...values because it will take a whole different tone than it did the last time. [LR182]

SENATOR BLOOMFIELD: And I believe, contrary to Senator Kolowski, that that adjustment is coming because the price of corn has dropped 35 percent, and the price of land can't stay where it's at. Thank you. [LR182]

TOM HAMERNIK: I hope that the Legislature and the Education Committee can help make some adjustments before that correction occurs because it will be a very difficult situation for the Legislature to have to deal with it if that correction takes...or that adjustment in ag takes place before some steps are taken. I'm a property owner myself. And I do understand what's happened. And I am uncomfortable with the reliance that it's created in the unequalized districts on property values and taxes. [LR182]

SENATOR SULLIVAN: Thank you, Tom. Senator Davis. [LR182]

SENATOR DAVIS: Tom, I appreciate your being so honest and I know how hard that is having been on a school board myself. I told Senator Bohlke years ago, if you really want to close the Class I's, you do it because we can't because of where we live. So it's really hard. What's your levy? And what are the others' levies? [LR182]

TOM HAMERNIK: We're at \$1.05. [LR182]

SENATOR DAVIS: So you're...how about the other neighboring schools? [LR182]

TOM HAMERNIK: Well, Leigh I think right at \$1.00, \$1.01. And then Humphrey is on the west end, and they're at, what, 38 cents, 50 cents, somewhere in there. So that's going

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to complicate any merger talks we have with Leigh because on their west border is a district with a 40 cent levy. Where do you think those Leigh patrons are going to want to go? And honestly, Humphrey Public Schools, I don't believe...my opinion is, is they're perfectly comfortable where they're at with their student count and their valuation and levy. That's going to create a turmoil between the Leigh district: 38 cents, \$1.05.

[LR182]

SENATOR DAVIS: And are you equalized? [LR182]

TOM HAMERNIK: No, we're unequalized. [LR182]

SENATOR DAVIS: You're unequalized. [LR182]

TOM HAMERNIK: We see...we do receive a... [LR182]

SENATOR DAVIS: But you are at \$1.05. [LR182]

TOM HAMERNIK: Yes, we are, \$1.04, something. [LR182]

SENATOR DAVIS: What's the difference in the needs versus resources? Any idea?
[LR182]

TOM HAMERNIK: I can't state the numbers. No, no. We have captured almost all of our unused budget authority. [LR182]

SENATOR DAVIS: Any commentary on sales and income tax as a possible local option? [LR182]

TOM HAMERNIK: In the context that you spoke earlier about utilizing it in the more urban areas to replace some of the state aid, I'm not opposed to it. But I'm not sure that

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I understand all of the other things that will happen when that...if that comes in to...how you would utilize it and what all the other things might be affected. [LR182]

SENATOR DAVIS: Okay. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Tom. [LR182]

TOM HAMERNIK: All right. Thank you. [LR182]

SENATOR SULLIVAN: I would like to recognize another senator that's joined us. Senator Lydia Brasch, we were going to have her up front, but I heard she had car trouble. So I didn't even know she was coming. Senator Brasch represents District 16 which is Burt, Cuming, and Washington Counties. So thank you for joining us. Welcome. [LR182]

FRED HANSEN: Welcome. Thank you, Senator, as well as the committee. My name is Fred Hansen, H-a-n-s-e-n, superintendent, Lyons-Decatur Northeast Public School just south of here. As a superintendent for over 18 years in school administration, I've seen the state aid formula change a lot. And mainly, we've continue to add and add and add more things to it. Maybe it's time to start taking a few things away. Probably my main point is special ed reimbursement, as Dr. Habben mentioned, 90 percent down to 55 percent. That's a huge hit for us as an unequalized school district. And, therefore, we...the local taxpayer pays that money. Forty-five percent of the school districts in Nebraska are not equalized. That's a pretty hefty number and that will continue if the valuation of land in Nebraska continues to stay high. How do we fix the formula? I don't know, but it seems to me that the things that we've added to the formula continued to take and put more and more schools into the nonequalized area. Maybe we take them, those things, out and we could gain some of the schools back. As far as the comment on local sales and income tax, of course, in my small school district and small towns, that's not going to help us at all. But I like the possibility of an idea that it could help fund

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the formula in some of the metropolitan districts and help the state aid formula out. The reorganization support outside the formula that Dr. Habben mentioned, I think that would be well worth it for us. Burt County schools are taking a look at the opportunity to merge. Having some incentive money or at least...maybe the better way, the support money to help us do that would be very helpful. Thank you for listening to my comments. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Hansen. Any questions? Appreciate your comments. Welcome. [LR182]

TROY LOEFFELHOLZ: Thank you. Good afternoon. My name is Troy Loeffelholz; that's L-o-e-f-f-e-l-h-o-l-z. And I'm kind of Dr. Fisher's sidekick today. But just to follow up a couple things, a couple comments from the Education Committee and some of the things that have been said so far today, one of the things that I think...when you look at needs minus local resources equals state aid, you have to really examine those local resources and what districts can and cannot...what communities can and cannot do. And when you look at it, the Education Committee has done a fantastic job of providing state aid through an allocation given to them through the budget. When you get into the calculation side, that's I think where the discrepancy becomes is the allocation, the backing into the number versus the calculation. Now I would say that maybe there is enough state aid dollars, okay, from the standpoint of maybe we need to focus where the dollars go. We've heard a lot about special education funding. We've heard about poverty. We've heard about ELL; those categorical things go directly to student needs versus the fluff things--in my opinion, sorry--of time allowance and teacher ed allowance. If it's good, if teacher education allowance...and correct me if I'm wrong, but a certain percentage of teachers have to be...a certain percentage of your teachers have to have master's degree to qualify for it. I think it's around 50 percent. Well, if it's good enough for some, why are we not allowing...be having that allowance for all teachers with a master's degree as part of that focus. As well as a time allowance, there's a minimum number of hours schools must be in session of 1,032 at the

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elementary and 1,080 at the secondary level. Why are we paying more for those school districts who choose at the local level to extend their days. I'm an equalized district. I'm at \$1.07 as a tax levy. I have no room to grow. A penny in my district is about \$150,000. We're about \$1.5 billion in valuation. And I have a neighboring district with one-eighth the number of students at \$1.2 billion, that for a penny can raise \$120,000. But their levy is also 78 cents. I'm very good friends with that superintendent. And the noose around him on the budget allowance and be able to grow his budget on the other side hinders what he can do as well. So we can talk about releasing from \$1.05 to \$1.10 which then that tax burden goes on to the equalized districts. Or we can say, adjust the allowable growth rate for those who are not in equalized. Well, again, you're just shifting the focus one way or the other and you're not fixing the problem either way. Senator Haar, I liked your comments about the money and the percentages of where that money goes. And that would be an indicator, if you look at the research, where the population shift has happened as well. Right, wrong, or indifferent, it has followed those things. And we all know fairness is in the eyes of the beholder. And what's fair for one should be fair for another. But it doesn't work that way. And when I...as I speak for Columbus Public Schools, I hope I'm speaking for STANCE as well in that it's about good policy. What is good policy for all the children in the state of Nebraska? Maybe it is about focus on what the components of the state aid formula are. When I look at teacher ed and time allowance, if I remember right, those are roughly about \$40 million plus about another \$9 million that was left on the table through all the lobbying effort. Well, that's \$50 million that could have maybe helped part of that \$200 million that walked away over the last five years. So maybe it is about just the focus and the key components. I don't know if it's completely broke, but I think we've lost our focus by seeing something shiny fly by and going...chasing it for just a few districts. I think you need to take all districts into consideration when we talk about components of the funding formula. Knowing that, and I think all of us in this room would agree, some days we're going to be winners and some days we're going to be losers. I've been on both sides of the fence. I've lost 23 percent of my state aid dollars over the last four years. But I also grew back a little bit this year. So there...you have to take the good with the bad for the purpose of good

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policy. That's all I'd have to offer. [LR182]

SENATOR SULLIVAN: Thank you, Troy. As you said, you gained some back. And if you look at the current formula and what's happening in the economy, perhaps we're poised to see some improvements in the current formula. [LR182]

TROY LOEFFELHOLZ: I would hope so. [LR182]

SENATOR SULLIVAN: So it begs the question, do we seek to change it? Or do we stick with it awhile and see how it's recorrecting? [LR182]

TROY LOEFFELHOLZ: I think you look at the allowances that aren't directly affected by your student body. Again, I go back to ELL and poverty. Those are categorical things that all of us have and we receive that categorical aid because of our demographics. Special education is another one. Any money going to the special education program has to be increased by a dollar because maintenance of effort. So once you put \$10 million into that special education pot to be distributed statewide, you've got to spend \$10,000,001 next year because of that maintenance of effort based upon Elementary and Secondary Education Act. So that could grow on its own. But when you get into things that benefit just a few versus all, then I think you're getting away from the purpose of the state aid formula. If teacher education allowance is good for a few, it's good for us all. If time allowance is good for a few, then it's good for us all. And maybe there should be a statewide calendar where a minimum number of days and a minimum number of hours are set aside across the state. And we already have the minimum, but what if everybody had to be in session 188 days? What does that look like? Well, I know from my standpoint I couldn't afford another 16 instructional days based upon what I do right now. So I would need...that's when the time allowance would come in to help me versus those who had made a local choice to move forward. [LR182]

SENATOR SULLIVAN: Okay. Thank you. Senator Davis. [LR182]

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SENATOR DAVIS: I have a couple questions. Troy, thank you for your testimony, first of all. I'll ask the same question I've asked other folks. Do you have much TIF property in Columbus? [LR182]

TROY LOEFFELHOLZ: Very little. We have a lot of abandoned buildings. They're just now starting to turn over. And I think you're going to see a growing number of TIF in Columbus. [LR182]

SENATOR DAVIS: What about sales and income as a local option? [LR182]

TROY LOEFFELHOLZ: Well, I think for Columbus Public Schools it's a benefit because we are kind of the hub in that area. But then I look at my neighbors to the north, like Lakeview Community Schools, they're outside a lot of that sales and income tax unless you run it through the county. If you run it through the county then it becomes a benefit. But if you run it through the city then...the city boundaries are my district boundaries. And, you know, I have a few people, ag producers who are paying \$1.05 in property tax as well. And is that a...to them it's a double whammy, so to speak. But I think it benefits us. But I'm not sure it benefits the others unless it flows through the county tax versus a city tax. [LR182]

SENATOR DAVIS: So would...if we were to explore something with that, you think that would be a more equitable way to do it, to try to run it through a county basis or a...? [LR182]

TROY LOEFFELHOLZ: Well, yeah. Any type of sales tax is an equitable tax because everybody pays on it. The question becomes, when I look at myself versus Custer County, how is that going to impact...whether it's city or county, it's going to have an impact...it's going to impact each other differently just because of the population base. I mean, clear out to Hyannis, obviously, it's not going to be maybe as well received as

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maybe... [LR182]

SENATOR DAVIS: We might generate \$300. [LR182]

TROY LOEFFELHOLZ: Yeah. [LR182]

SENATOR DAVIS: What about your buildings? You're up against this levy lid. How are your structures? [LR182]

TROY LOEFFELHOLZ: Well, I...also, Dr. Habben said something about, you know, what do we do with 40-year-old buildings? I'm sitting on a 90-year-old building, middle school, that needs to be replaced. In my tenure I've also seen, in different districts, I've seen temporary portables become 40 years old so...and I'm sure a lot of us in this room could probably say the same thing as far as what is temporary versus permanent. [LR182]

SENATOR DAVIS: What can you generate from your building fund? [LR182]

TROY LOEFFELHOLZ: We don't generate anything because we're...because the building fund has to be under the \$1.05. So we're...our \$1.05 is strictly general fund. [LR182]

SENATOR DAVIS: So what would you think about setting up building fund outside the levy? [LR182]

TROY LOEFFELHOLZ: Well, it's a double whammy. It's either...well, I shouldn't say a double whammy. But it's placing the burden back on the local taxpayer in addition to...and I think your bond referendums, that's the purpose of that, to give them an opportunity to vote on some of those things. I know when we had the ability...school boards had the ability to levy 5.2 cents, I think those are QCPUF bonds at that time, a

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lot of districts did take advantage of that through the supermajority vote of their boards. And they were able to renovate some areas, add on to elementary schools, add on to high schools to get those things fixed. Reprieves like that every now and then would probably help in some form or fashion. But again, it goes back to the local tax base and what...it's either getting their permission or doing it yourself. [LR182]

SENATOR DAVIS: Well, that can be...and especially in these issues where we're getting to these high ag values, it becomes really hard to have a bond issue and make it work. [LR182]

TROY LOEFFELHOLZ: I agree. [LR182]

SENATOR DAVIS: But we do have...you know, I think there are a lot of districts that have some real serious building problems. [LR182]

TROY LOEFFELHOLZ: I would agree with that as well. And while I'm talking about good policy, other models of education, the career centers are popular. And I know in a lot of rural districts it's maybe not as accessible as it could be for some. But when I look at Columbus and I look at the Humphreys and I look at the Howells and Dodges and the Leighs and all those around us and the Shelbys, we want to do something like that. But we have to have a mechanism for those students to come to our school district without option enrollment. We've got to have kind of a free pass to cross district boundaries if a student wants to get into engineering or if a student wants to take manufacturing or automotive and some of those other areas. That's how you're going to grow Nebraska is providing opportunities for kids to be either career ready or college ready. [LR182]

SENATOR DAVIS: Has the STANCE group taken any kind of position on that? [LR182]

TROY LOEFFELHOLZ: No, not at this time. We have not,... [LR182]

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SENATOR DAVIS: Might be something to look at. [LR182]

TROY LOEFFELHOLZ: ...because I know there was an LB--was it LB47--a year ago talking about that. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Troy. [LR182]

TROY LOEFFELHOLZ: Yep, yep. Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

ED STANSBERRY: Thank you, Senator. My name is Ed Stansberry, S-t-a-n-s-b-e-r-r-y. I'm the superintendent at Walthill Public Schools. And first off, I'd really like to thank you for this opportunity because it's unprecedented that you took time to listen. And that means a lot. First off, I'd like to say what everybody said is so true, that, please, take in mind everything. Think of every person and every kid when you make these decisions. Like, for us, you know, you're affecting our kids in this needs versus local resources. This is our needs: We have 30 percent SPED, 85 percent poverty. You know, we have 40 percent mobility. And so when you're thinking, maybe let's cut back on some state aid, that's affecting children, a direct effect. You know, we have no way of getting other resources. We have only 20 percent of our resources are from property taxes. So we have no way to generate. We're at \$1.05 and, like I said, we can't...we're in a 1906 building in our K-6 elementary. Please take the time to consider that when you're doing that. Federal dollars, we're at...40 percent of our money is federal dollars. And we all know where that's going. And right now that's a holdup every year. We get impact aid. It comes a year in arrears, so we usually get that sometime in February the following year. And so everybody has been on a survival...and I kind of speak on behalf of a lot of the Native American schools I know because they're in the same place. We need

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to...cannot have a way of taxing or any other money. The only thing we have is your dollars from you. You know, and I understand you're in a crunch. And so for our needs, you know, when you look at the way the formula is set, it was fully funded. It's great, and it does what we want. And I know you can't do that always. But I like at least you're looking at other resources and some other ways to get some funding. I don't see how that can help in our area because we're like they are. Sales tax is not going to do any good in our area. You can do the whole county of Thurston County and you're not going to have any money, you know, so that's not going to help us. So I just think you need to think of everything, all the factors when you make these decisions and how it affects a school. I don't know where our kids would go, you know, dispersing them and saying, okay, let's close the schools, let's go somewhere else. I'm not sure where that's going. So I didn't want to say a lot, just wanted to make sure you understood the severity of it. And so with that, thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Stansberry. With respect to special ed and early childhood, can you comment on those with respect to Walthill? [LR182]

ED STANSBERRY: Yes. With respect to Walthill, we have a preschool program and we're accredited. We've had it for the last six years. We've done really great things with it. It's been an incredible program. We've worked hard. And like I said, we're at \$1.05, and that's coming out of our general fund to pay for that too. And that's already on the chopping block. We've already met with our board, talked about it and said, okay, what are we going to cut, because if the federal funds are going to be cut 10 percent--which they pretty much have told us that's a given, maybe 20 percent--that's 40 percent of our budget. And if we're getting cut on state aid, another cut, where are we going to go, because the property tax, and we don't get that much, is not going to cover it. We've looked at, do we cut preschool? You know, we don't have the luxury of the fluff. We don't have the extra math teacher. We don't have the extra science teacher. And so that's the next, you know, consideration. Well, we could probably get by without preschool if we have to. And obviously we know in our area that that would be critical,

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very critical. [LR182]

SENATOR SULLIVAN: Has your special ed needs increased? [LR182]

ED STANSBERRY: Every year, yep, every year. Like I said, we're at 30 percent and, you know, when you keep getting less dollars back in return...but that's something that you can't go without. [LR182]

SENATOR SULLIVAN: Yeah. [LR182]

ED STANSBERRY: That's just...the kids need it. You got to do it. And that's just going to be...and we've been blessed. Our community has supportive of it. And we...and I kind of have an inner-city deal where the farmers who are in an area live in kind of an inner-city thing. And the good thing about that is the farmers have never said, no; totally support it. [LR182]

SENATOR SULLIVAN: Okay. Thank you. Any other questions? Thank you very much for coming to testify. [LR182]

ED STANSBERRY: You're welcome. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

GABRIELLE GAINES-LIWARU: (Exhibit 3) Thank you. Good day. I am Gabrielle Gaines-Liwaru; that's spelled G-a-b-r-i-e-l-l-e and Gaines-Liwaru, G-a-i-n-e-s-L-i-w-a-r-u. And I'm going to read what I have...copies available to you. I, Gabrielle Gaines-Liwaru, citizen of Omaha, Nebraska, and OPS-affiliated educator, would like our Nebraska legislative body, which decides on how to fund public education in Nebraska, to consider channeling resources in these directions--and my ideas are not coming from any data-based approach from being a superintendent or in, you know,

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school board, but as an educator--to evaluate and educate regarding forces which highly impact our young people in our current society this digital information age. Working with stakeholders in the community is important. Furthermore, facilitating a unified front in pursuing media sources, Internet, World Wide Web constituents, and local policymakers to demand social change that will protect and educate students, in a way, leading them to be discerning, responsible, visual-digital consumers and citizens for tomorrow, is essential. The digital information age has so many vehicles for stimulus in positive and negative ways. Therefore, students need discernment and self-discipline skills to prioritize that which will promote the best in them and lead to their goals. Whatever they pursue and whomever they network with should be constructive and supportive to their well-being and set goals and objectives. I'm not aware of any state-funded program that addresses this as mandatory curriculum in our public schools. So that's one point. Assessing...to close achievement gaps and assess the needs of the underserved, nonwhite student population and lower socioeconomic groups will require some curriculum reform or inclusion of supplemental experiences that empower youth identity with positive cultural associations. Public education funding should be spent on community service, service learning, and projects with community providers and agencies that support youth empowerment and alternative hands-on learning experiences. I am a teaching artist with a nonprofit organization called African Culture Connection, as well as I do programs through the Malcolm X Memorial Foundation. I have networked and planned different events that reach out to youth with the Dreams of Eagles. And I've seen a lot done also in, like, the south Omaha community with El Museo Latino, Mexican heritage society, and other cultural entities. The problem is that they rely heavily on grants. And whether that's federal- or local-sponsored grant money, it's not always available to reach the most of the kids that need it. I feel that all students, whether, you know...whatever ethnic background they have, all students benefit from that cultural kind of awareness supplemental curriculum. And then, next point, as we live in a competitive, capitalistic nation and uncertain economic times, building practice of frugality, budgeting, maintaining healthy lifestyle choices, and realistic long-term financial planning is a need of all students. Therefore,

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state-funded and mandatory critical skills curriculum, such as described, should be in all Nebraska schools for the outcome of more successful and contributing citizens. I'm aware that in high school, especially their economics classes, and in some...you know, there are other courses that are offered. But sometimes that's optional or it doesn't, like, get to the core of today's students, thinking more long term because they live in a very temporal society where they're thinking of here and now, not of investing and setting up, you know, retirement funds and things like that, that they should get this early on in our Nebraska public education. Then another point is, our state should fund mandatory professional development of all public education faculty and staff, training which will combat institutionalized racism and be proactive in creating cultural empathy with students that will boost success of the students across the board. I know that, just in Omaha, we have had some attempts. There's an OPS diversity committee. There is sort of a book...I think a cultural proficiency book that has been disseminated to teachers and staff. And I just feel there are ineffective ways and methods that are being used to just, like, skim the surface of helping people be able to connect further with their students. I am involved in a professional development workshop that's called the Innocent Classroom. I have that session tonight. It's a cohort every Tuesday. And those who are there are educators who had to sign up, but nobody made them. And when we're going through these sessions, from the input that we hear, it sounds like sort of we're the choir. And so the person who's trying to give some cultural proficiency knowledge and the background research and science of what students of color really, really need in our school systems is just like, oh, yeah. Well, we get that, you know, but there's a whole lot of people, especially in OPS, that don't get it and beyond in OPS. And then just the final points are just in general think of supporting programs to encourage a sense of connectedness in subcultures within the community and bringing the whole community together. Also, fund things that will provide opportunities for socioemotional skill building in children, youth, and families, including mental health services for all; on site of a public school would be good. And promote and fund programs available through public schools for adult responsibility, not dysfunctional models but wellness models, so that the village can create better structure of support for

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our young people. [LR182]

SENATOR SULLIVAN: Thank you, Gabrielle. Any questions for her? Thank you for your testimony. [LR182]

GABRIELLE GAINES-LIWARU: You're welcome. Thank you for the opportunity. [LR182]

SENATOR SULLIVAN: You bet. Welcome. [LR182]

RICK FEAUTO: (Exhibit 4) Thank you. Good afternoon, Senators. My name is Rick Feauto, spelled F-e-a-u-t-o. I'm the director of business operations at South Sioux City schools. And our district is a member of STANCE. I've been a business official at South Sioux City school for 26 years. I began my career at South Sioux City in 1987. And at that time, our district was the lowest-spending school district in the state and had been for a number of years. But at the same time, our general fund levy was one of the highest in the state at \$1.70. By 1989, 2 years later, our general fund levy was up to \$1.80. Our overall levy was at \$1.94 and the trend was going up. Well, then the next year, 1990, LB1059 came, probably the most important education bill enacted in the state of Nebraska. LB1059 gave birth to TEEOSA. LB1059 enforced the belief that state aid to education would rely on an equalization formula to provide financial support to districts that needed it the most, thereby providing an equity of educational opportunities for all Nebraska students. The effect of South Sioux City Schools was immediate and dramatic. The next year, 1990, our overall levy dropped from \$1.94 to \$1.20. Over the years, as you know, there have been many adjustments to the formula. But the district has been able to stabilize our overall levy at or near the \$1.20 mark. And I've provided some graphs so you can see the effect that has had. Changes to the formula over the year have made a difference at South Sioux City schools. The addition of the poverty allowance and the LEP allowance has given the district the resources to do things that other districts take for granted. We have been able to staff each of our elementary

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buildings with a principal where in prior years our six elementaries shared three principals. We were able to add three principals so that we had a principal for each building. We've been able to reduce our student-teacher ratio. We've added counselors to our staff at both the elementary and secondary level and so on. Every district in the state is unique. Every district has its own opportunities and its own challenges. South Sioux City and Dakota City are wonderful communities. We take pride in our school district. Our buildings are well maintained. Our teachers and administrators are top notch. And our students are our treasure. But our district is valuation poor. We have only \$218,000 of valuation behind each of our students. That's the fifth-lowest in the state. We have nearly a 75 percent student population that qualifies for free and reduced lunches. We're currently at the maximum general fund levy of \$1.05 and yet we only generate about 20 percent of the revenue needed to fund our school. Statewide schools are able to generate about 45 percent with their property tax levy. We rely heavily on state aid. State aid accounts for 61 percent of our total revenue. So every year we anxiously watch while the Nebraska Legislature decides how to adjust the formula to fit into the confines of the state budget. Recently, the Legislature made a decision to adjust the instructional time allowance and the teacher education allowance to open them up to all districts, equalized and unequalized. This change has a disqualifying effect on the formula. We at South Sioux City school feel that the basic funding formula must be kept in front of us at all time. Needs minus resources equals aid. First and foremost, we feel that the role of state aid must be to fill the gap between what a district needs to educate its children and what it can raise from other sources. There's a district less than 50 miles from South Sioux who has nearly 5 times the valuation that South Sioux City has. In 2012-13 that district received 4 percent of its revenue in state aid. It was able to raise the remainder of what they needed in other sources, and it did so without approaching the \$1.05 maximum general fund levy. The following year, in 2013-14, due primarily to the change in the instructional time allowance and the teacher education allowance, that district received an additional 4 percent in state aid, doubling its state aid to 8 percent. I'm sure the district and the taxpayers of that district welcomed the additional income. But did they need it? They

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had the capability of raising those funds through other means. Meanwhile, for the same 2013-14 school year, South Sioux City school experienced a reduction of \$250,000 in state aid. Since South Sioux City was at a maximum \$1.05 general fund levy, it has little opportunity to recoup those lost funds. Its only options are to reduce its general fund reserve, reduce staff, or reduce programs. We at South Sioux City ask that you protect the concept of equalization within the state aid formula. Our children are relying on you. Thank you for your time. [LR182]

SENATOR SULLIVAN: Thank you, Rick. Any questions? Thank you for your comments. [LR182]

MARK BEJOT: (Exhibit 5) You guys have a hard task. Good afternoon. I'm Mark Bejot, M-a-r-k B-e-j-o-t. And, Senator Bloomfield, I am in your district. I'm superintendent of schools at Wakefield, and I want to thank the Education Committee for taking the time to hear testimony and to look at possible revisions to the school finance formula. In examining the current state formula and how it's affected Wakefield Community Schools, we lost last year about \$125,000 in state aid. We are fully...we're a funded district. We're equalized. The loss was due primarily to increased property valuations and the loss in aid for classroom size reductions. In examining last year's funding of school finance formula, we were surprised as a district that the year's increase was \$54,513,815. And of that state aid increase, less than \$1 million went to rural schools; in fact, about \$961,000, according to your formula, in increased aid. I'm suggesting that maybe the threshold for equalization be lowered, as I would the property tax valuation process. One of the things that crossed my mind in that meeting was, maybe the rate needs to go down from 95 cents. Where that needs to go, that's what you're elected to figure out. The state aid formula is complicated yet basically it's centered on funding smaller school districts under 900 students and then also funding for schools above 900 students. And it has equalization components on each side to make sure or to ensure some level of equity in funding. Traditionally, the state of Nebraska...I've been here three years. You've backed into your formula every year. It's common practice. I can tell

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you in Kansas they back into their formula every year too. So it's not really a big surprise to me. The question I guess I come to is, at some point, just asking the question, what if it was fully funded and you had the equalization pieces, that you were satisfied? What if it was really fully funded, what would happen? Would the need for property tax go down because of receiving state aid? And I'm not sure we've ever really figured out what that would do or how that would look. In examining your letter that I received from your committee, you had a number of broad concepts that you brought up. And looking at many of the ideas from a smaller-school perspective, they're going to be adverse to the small schools. Reducing reliance on property tax through local option sales tax you've heard today will not help Wakefield in any way, shape, or form. We go to every other community to buy our stuff, whether it's cars, boats, trains, planes. Whatever we're buying, we're not going to be buying it in Wakefield. It's just not there. And so we lack the business base for those kinds of revenue. Our community shops all over the place. Distributing funds based on school membership only will greatly aid large school districts and additional weightings would be needed to fund smaller schools if that's a direction you choose, which you already have in your formula. Basing school spending limitations on economic measures, I don't know if we've tested that. Or when we look at the spending limits that we've set inside the formula, the problem you run into with those, at least I've experienced, is, how do you handle the variable costs like energy when you're limited to a half-percent growth or you're limited...that gets difficult I think probably for every school in the state at handling the variable costs. We...you know, we do try to find ways to conserve and save energy costs. We are a member of NJUMP. You know, we try to buy supplies and things in larger quantities to save money. I do hear sometimes a little moaning that, well, you didn't buy it locally, you bought it...you know, and they're right. But it comes down to cost factor. You know, I can get it in a large group with a whole bunch of schools. It makes a lot more sense. Plus, I think it's a better use of the taxpayer dollar. Providing for fixed costs for every district, you mentioned that in your letter. That assumes that all schools in Nebraska are the same size and have the same costs. Nebraska communities have a variety of fixed costs, again, based on size and where they're located. The option probably would also require

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weightings based upon school size to ensure some level of equity. I would like to see the state pick up a larger share of excess costs of special ed, preschool, transportation, poverty, and LEP. This requires some level of weightings as well. Lottery monies that were mentioned have not significantly impacted my district. And I wonder if it wouldn't be better served to be used for initiatives by the State Department of Education. Option fundings do provide districts some level of relief from property tax. It tends to make my farmers a little happier to think that if kids are coming in from other districts, that they're not paying that bill as well as paying for their own kids. I never have an argument about, well, if it's our kid we need to pay for it. I've never had that argument. I've kind of heard that about option students from time to time, so I think that part makes some sense to keep. I guess I'm...encourage you to look at the formula that we have. I don't think it's a bad formula. It needs some tweaking. And I'm encouraging the Education Committee to consider fully funding that existing formula. Additionally, maybe consider lowering the threshold for state aid equalization which would help provide some property tax relief for property owners. Comments? [LR182]

SENATOR SULLIVAN: Thank you, Mark. Any questions for...yes, Senator Cook.
[LR182]

SENATOR COOK: Thank you, Madam Chair, and thank you, Mr. Superintendent. We have been traveling the state and...as in Omaha and in east of 72nd Street Omaha, it's been a wonderful educational opportunity, especially at this beautiful time of year. And what we're...have been hearing everywhere is the impact of poverty, and what--shall we say, the face--what the face of poverty is, the composite face of poverty of our students in the Nebraska public schools. Would you speak to that issue to kind of further educate us? [LR182]

MARK BEJOT: Sure. In my district, my poverty rate is 55 percent. And we're a school district that's half Hispanic and half white. And I would tell you that the poverty makeup is probably a little more heavy towards Hispanic but not overly. I mean, it's not...I think it

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has more to do with the incomes and where people are choosing to work and what I see is the importance of early childhood in dealing with that. And we have an early childhood program. We have a three-year-old program that's half-days, and we also have three sections of four-year-old. And we have found that if we can get our kids into school on grade level, you know, that's really our best shot. If we don't, we know that there's going to be additional costs probably all the way through school. And getting them out of that phase is somewhat challenging. I think our system is working. Our elementary is Blue Ribbon national school this year. And we've put a lot of emphasis on reading especially and mathematics. One of the neat things I'm very proud to say of the teachers and the kids is that when my kids leave sixth grade, all of them are proficient in reading. But it's taken a lot of extra support to make that happen. And we have reading interventionists and we use a level reading program that we've found very successful. And so it's exciting to see. I know that all kids can learn. I've...you know, it's providing the opportunities to them and providing what it is that they need. And I think the problem with poverty is, is that poverty prevents those opportunities, especially in the younger years, for experiences that are necessary to be ready to go to school in kindergarten on that first day, to be there with everybody else. [LR182]

SENATOR COOK: Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mark. Yes, Senator Bloomfield. [LR182]

SENATOR BLOOMFIELD: Thanks for coming over, Mark. [LR182]

MARK BEJOT: Sure. [LR182]

SENATOR BLOOMFIELD: This is less of a question to you and more of a statement to the committee: Mark's school sits in my district. Two blocks away, they're in Senator Larson's district. So as we start to look at forcing schools to merge, if that's what we're wanting to do, we're crossing not only what are now district lines, we're crossing county

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lines and we're crossing legislative district lines. I think particularly the folks here from Omaha need to understand that we operate on a different system out in rural Nebraska where we don't have so many people confined. We're already covering several counties in some of our schools. [LR182]

MARK BEJOT: I wasn't... [LR182]

SENATOR BLOOMFIELD: Emerson, for example, sits in three counties. [LR182]

MARK BEJOT: I wasn't particularly intending to speak towards consolidation. Coming from Kansas, of course, you all know unification went through in 1962. And every legislature was voted out of office. Subsequently, that has been a dirty word in the state of Kansas. However, a couple of things that they have done was to incentivize by keeping the budgets the same for a three-year period. So, in other words, if you were talking merging and you were talking a unification, you had a three-year period where you were going to get the same guaranteed funds. And that seemed to have helped districts to do that. Not sure how that would look here but if you stop and think about it, you're going to lose students and things like that, that you've talked about. That's going to happen. So how do you get that school district up on its feet? It's going to need some help for several years to make that happen. So maybe that's something to consider. Take the combined funding of those districts for three years and maintain that for that newly consolidated district. It's an idea. [LR182]

SENATOR SULLIVAN: Okay. Thanks, Mark. [LR182]

MARK BEJOT: Thank you. [LR182]

SENATOR SULLIVAN: Thanks for your testimony. [LR182]

MARK BEJOT: Um-hum. [LR182]

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SENATOR SULLIVAN: Welcome. [LR182]

BETTY POPPE: My name is Betty with a "y," Poppe, P-o-p-p-e. Thank you for listening to us today. I appreciate the opportunity to speak to the Education Committee regarding one our greatest concerns in rural Nebraska. I join the many who have spoken to you about the unfair property tax burden that real property owners have to pay. We pay more than our share. Today, however, I want to address the cost of education rather than the source of the money for the schools. For me, the primary answer to the high cost of education in Nebraska is fairly simple, and it is what was done in Iowa 50 years ago. We have to consolidate the school districts. This is not a recent belief for me as I was a person who as a high school student had to transfer to a smaller, Class D school. When I entered nursing school 50 years ago with Iowa students, they had gone through mergers and were continuing to do so with no ill effects noted in their educational process. The common belief is that without a school the town will lose population and businesses. To that I say, look what we have in our towns, and that is with an elementary and secondary school in it. Some would say, but we are working on that and look at the progress we've made with the help of grants. But what progress is there really? New streets and store windows does not equal new businesses or an increase in population. Towns that have built nice new schools have seen the population continue to decline. We drove into Iowa and noticed a nice consolidated school in a town that had few, if any, growth otherwise. I think this common belief that connects a school to the town needs to be set aside and the true purpose of the school system needs to be considered. This purpose is not to see that people have jobs or keep a town going. This purpose is to educate students. At our school district, after realizing that the school was going to continue to decline in numbers and not wanting to put an increased burden on taxpayers, the board held a straw poll and when...with that, when that came back favorable for a merger, the board planned a merger with a neighboring district. Some people in town decided to fight the merger and they basically pulled out all the stops to divide and conquer, so to speak. In the end, they boarded a bus and went to the

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meeting of the Reorganization Committee in Lincoln and they spoke against the merger. The committee listened to them as they said things like, there was a closer school to merge with, and the town we were merging with was the wrong choice, etcetera. The committee assumed that the busload of people was the majority perhaps as they then overturned the merger plan. There was no intent by this busload of people to merge with another district, only an intent to keep the school in town and try to help build the town. It has not worked. We are now three years later and they have built a new school with the help of what is called a lease purchase. The school continues to have a declining enrollment and a near \$6 million budget, including nearly \$400,000 in the special building fund. All this with two schools, 15 to 20 minutes away, who can house us easily without extra building. The 2010 merger was supported by the public at our district but was taken from us by the State Reorganization Committee who were somehow convinced otherwise. Please know that many of we people in our small communities get it. We have seen the reduction of population as farm after farm becomes larger. We know more of the same is coming. When my father fought hard for my one-room grade school and our country store post office at Venus, Nebraska, it was 50 years ago. The town that got our school and our post office, Orchard, Nebraska, has now merged schools with Clearwater. And how long will the post office last? The people in these towns are not so happy, but the students are satisfied and know that it is better to have more students in the classrooms and in the many activities that are offered. We have to put the students first, not the parents, grandparents, business owners, teachers, administrations, but the students' education first. I hope that when you talk of the cost of education you will consider seriously the expense it takes to run so many small schools in Nebraska. Think of the real purpose of the schools and move forward with methods of encouraging and promoting consolidations of districts. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Betty, for your testimony. Are there questions?
Senator Davis. [LR182]

SENATOR DAVIS: A couple questions: At one time, and I think it still is--in fact, I should

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ask Tammy--but if districts were a certain distance from another district and below a certain number of students, land could be "freeholded" out and put in other districts. And I'm not sure that's still in effect. But do you think that would be a solution? [LR182]

BETTY POPPE: Well, I think there are a number of people who would appreciate that. I know that there are certain stipulations to that. It can be done but it is quite difficult. The school has to get quite small and so forth. Others here can answer that. [LR182]

SENATOR DAVIS: What is your resident community? [LR182]

BETTY POPPE: Our town or what the name of it is? [LR182]

SENATOR DAVIS: Your school. [LR182]

BETTY POPPE: What school am I from? Scribner-Snyder. [LR182]

SENATOR DAVIS: Scribner. So one consolidation has already taken place. [LR182]

BETTY POPPE: Yes, um-hum, yeah. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Senator Kolowski. [LR182]

SENATOR KOLOWSKI: Thank you, Madam Chairman. Mrs. Poppe, thank you for your comments. And I think it's important that, for the record, that we keep in mind that the State Department of Education has an important role here. And we haven't talked about Rule 10 at all today. But that should be one of the driving forces. What is the standard for all students in Nebraska that is set by the Board of Education that should be the driving force for all of us to look at? There are economic efficiencies we can look at, but

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we should be driven by Rule 10 more than anything else. And then no district should have a gun put to their head saying, you must consolidate. You have choices. In every state I've been to, they are the same thing: You can pair, share, use ed technology, or consolidate. It's not just, you must consolidate. There are options and you need to look at all those kind of things as you look at the potentials for any of those to be enacted for your district or for your neighboring districts. So I just wanted to make sure we had Rule 10 mentioned somewhere today. Thank you. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. Is there anyone else wishing to testify? We can't overlook our host. [LR182]

TOM CARLSTROM: They never want me to talk because I never shut up. My name is Tom Carlstrom, C-a-r-l-s-t-r-o-m. I'm the superintendent of schools here in Umonhon Nation and really appreciate you folks coming up today. Number one, I didn't have to travel anyway. (Laughter) I got Rule 10 on my notes, means you brought it up. I wanted to address that real quick. I really get scary every time our President talks about a comprehensive plan for reforming something. But as you're taking a look at school funding, there's a couple things that come to mind. I have this unique thing. I was a superintendent at Hyannis at one time. There were Class Is that closed up out there because at one time there was a Rule 10 mandate that all schools had to have indoor plumbing. And those who are old enough to remember that, they try to legislate school districts out of existence. And there was...some school districts folded up because people didn't want to be board members anymore. I heard the term "Humphrey" mentioned a couple times. I was superintendent there for five years. I've been in some unique situations. I'm in a unique situation here. But it's all about kids. I had kids in Hyannis. I had kids in Humphrey. I had kids here. One thing about it, as soon as the assessment scores come up, I bet there's no superintendent sitting out here says, Tom, I'll come up and get a busload of your kids if you want to close up your school, because why would they want them? Okay, my test scores aren't going to be very high. Over a third of the kids are special ed. My kids here wouldn't help another school district if you

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closed the school district up. There's a reason to keep school districts going. Coming back to Rule 10, my poor English teacher upstairs, we have to have 60 instructional units offered in our industrial arts...in our English language arts area. The problem with it is the state right now is talking about taking away kind of the general endorsement in that area and making these people go to more specific things. I may have to get some additional endorsements from a teacher to keep them here if we're going to keep up with that. So I have a teacher. We force him to teach seven classes so that we have all these instructional offerings even though it may only have one or two kids in some of them. But at the same time, we have this mandate kind of forced by the Legislature for the standards and assessments. So I got a teacher trying to teach all of these classes. At the same time, we're trying to focus on the assessments as well. I'll use the word "comprehensive" loosely. We really need to take a look at our education in general. We're trying to force all the schools to do everything for everybody, and at times we're losing the specific focus. Again, unfunded mandates, I have that on my term. When a third of my kids qualify for special education here, I have a lot of additional cost for special education. Nebraska goes beyond the federal mandates for it. So as we're requiring more and more for our schools, there again, there's no funding that comes along with it. Actually, we're getting less. My staff is getting tired of me saying something about doing more with less. I was going to change clothes before you people got here today. I was up on the roof with insurance adjusters because I don't have a daytime maintenance person. We just had a tornado that hit a block from the school. This hearing might have had to been held somewhere else with a little change in the weather. There's just all things going on. We're trying to do more with less. With the assessments, we had to pull staff that have to lead a lot of assessments. You know, we're just demanding more and more of our schools. There's really not any funding going with it. And actually we're pulling some time and attention away from the teaching. Again, if any of my peers out there want to come get a busload of my kids, they're not going to help their scores raise up. They're not going to help them save any money. No one wants my district because we have no evaluation. So, you know, there's a lot of things about it. So you need to take a look at the unique situation of every school in the

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state. And there's no school that's any better than the next one. And again, I've been to Hyannis. I've been to Humphrey. I've been here. They're all unique. But, you know, we need to take a look at if there's a need to keep each and every one of the school districts functioning, how can we do it with some kind of--and again, loose--comprehensive plan? How do we meet the needs of each individual student in each individual place? Putting them on a bus sending them somewhere else may not be the answer. But there has to be some things out there. So, again, I just urge you just to take a look at overall things. I can't fight with Omaha Public Schools. They got all these additional people that can make me look like a real country bumpkin. But I guess that's what I am. I'm all about small schools. There's a need to have them. Jon Habben led the thing off today. He makes me feel young. He was coaching football when I was in high school, coached against me or whatever. (Laughter) You know, Jon has spent a lot of time in small schools as well. There's a reason for them. There's a reason to keep them going because they do some special things. I had a parent when I was at Humphrey who testified before I think it was the...either the Education or finance committee. And she made a statement I love to repeat. And basically she said, don't punish our kids because their parents choose to live in a rural area. And it's a statement I love to repeat all over the place. Parents live where they do for a number of different reasons, but we shouldn't take it out on their kids because they're attending rural schools. So I'll cut it off there. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Tom. I appreciate it. Any questions for Mr. Carlstrom. Thank you for testimony, and thank you for hosting us here today. We really appreciate it. [LR182]

SENATOR DAVIS: Can I say one thing? [LR182]

SENATOR SULLIVAN: Yes. [LR182]

SENATOR DAVIS: I just want to say that when Mr. Carlstrom was at Hyannis he took

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us through some difficult times and did a wonderful job there. And I have nothing but the utmost respect for you and what you've done. [LR182]

TOM CARLSTROM: Thank you. [LR182]

SENATOR SULLIVAN: Thank you very much. Anyone else wishing to testify? I wish to thank everyone who did testify and all of you for your attendance. And thank you very much. This closes the hearing LR182. (See also Exhibits 6, 7, and 8) [LR182]