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Appropriations Committee  
March 07, 2017

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[AGENCY 13]

SENATOR STINNER: That concludes testimony on LB465. We will now start the hearing on Agency 13, Department of Education. Good afternoon, Director. [LB465 AGENCY 13]

MATT BLOMSTEDT: Good afternoon, Senator Stinner and members of the committee. Always a pleasure to get to come in front of you about twice this year, I guess, as it turns out for...as you've done the heavy lifting of having to run two budgets. I'm Matt Blomstedt, Commissioner of Education. Blomstedt is spelled B-l-o-m-s-t-e-d-t. And, yes, my ancestors could not afford that extra vowel that would have got it to "Bloomstedt," instead it's one O. Well, that's how it goes. Anyway I, first of all, I just have to give you a general thank you for the efforts that you undertake on this committee and the efforts you've taken to look at our budget in particular. There were several items that you've put into your preliminary budget that I just...I'll go through kind of a list but that I deeply appreciate your consideration of in your processes. I know this is quite a difficult year to address all that you have to address, and I do want to kind of hit on a few of these points. First of all, in the budget and in kind of the transition from LB22 to now what you do for the next biennium, I do very much appreciate you looking at the 4 percent decreases in a variety of programs and putting us back at least to kind of a zero-to-zero percent increase on...year over year on some of those particular aid programs. Certain programs are impacted by that, like high-ability learner and others, that were important I think to the Department of Education. I'd also like to thank you for giving consideration to funding and, as you've put into your budget, allowing us to continue funding for the high-ability learners coordinator position and the multicultural position as well, again, critical things that when I came before you before I wasn't necessarily asking that you restore that funding. But I guess I begged and whined enough that at least you gave that some consideration. But the reality is for us that we're working with a limited amount of human capacity to do the fairly dramatic work of trying to lead the state's education system. And so I appreciate your recognition of that. I also really appreciate your consideration of additional funding support for the...for what we call kind of our IT support systems, our data systems, and I want to hit on that topic a little bit deeper, especially in light of what you just heard from testimony and testifiers on that front as well. But also, the support for Step Up to Quality and where we're going to ensure that we have a quality early childhood education system across the state, and that investment I think is quite worthwhile. And then

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obviously on vocational rehabilitation and the importance of serving as many clients as we can across the state that deserve the attention and the opportunity to reenter work force after injuries or after disability of some sort. So I appreciate all those things. Coming back to the kind of the data systems and support and the systems of support that I think are so critical for us moving forward, across the hallway--I'm kind of split today--there are a couple really important bills up that Senator Linehan introduced, one being LB651 that happens to deal with her proposal that would deal with retention of students at 3rd grade that were not meeting grade-level proficiency. And regardless of how you feel about that as an approach to that issue, it is important that we're using data to inform our decision making about what we do with students. And we're trying to build systems at the department sometimes to ensure that what's happening about decisions about students are the appropriate decisions. And I think it's important to look at that. Now when you look at the work that we have to do on assessment and other things, by the time that students reach 3rd grade, that's not...that's not sufficient. Because if they are not reading by 3rd grade, we have a lot of remedial work to do with them to bring them up to grade level. Within the State Board's strategic plan, they address this very issue, asking that every school would have interventions in place to ensure that any student not on grade level would have the appropriate interventions in place, but we can't do that without knowing which students those are and what levels that they're at, and that takes quite a bit of investment and quite a data system to pull that together. I think another front on this, and I've said it to former Appropriations Committees I guess in the past, some of you have been on that, on those committees in the past as well, we had to build a data system that dealt with accountability and we had to build that data system in part because the federal government said we had to build such a data system and report that data back to the federal level. And I've been frustrated by these things, in part, not frustrated that we have an accountability system but frustrated in part because the federal investment in our data system is hit and miss. They give us on occasion a grant to build some type of system and we start down that path, and then they pull the grant back because it's usually a short-term proposal. And then we spend our time kind of scrambling and then we push that burden on down to school districts. And I think that's a real cause for concern. We cause school districts to expend a lot of resources to ensure that they have the proper data systems so they can report to us, so we have some way to report to the federal level. And then I can get a report back from the federal level, tell us how we're doing. I think that's backwards. I think our investment in accountability, our investment in data systems is imperative for us to move this state forward. When we talk about does it make a

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difference--and I'll talk about the Microsoft IT Academy just briefly--in this matter, you would want to know if that makes a difference. The State Board does, as you heard earlier, have a goal around ensuring that students are having those IT certifications and other certifications and dual-credit courses, but we don't necessarily have data systems that tell us whether or not that investment is worthwhile. You would probably like to know that, as the Appropriations Committee. I certainly would as well. So we're trying to build an underlying fundamental data system that starts to look at what those investments are and how we transition not just from within the pre-K-12 space but also into dual-credit opportunities and on to postsecondary. So it's important that we invest in those data systems, that we invest as a state together in those data systems. And we also do data sharing with HHS when there are programs. We do data sharing with other agencies as well, thinking about the investments that we're making in the evaluation of programs. And so that's a really critical investment I think in our budget proposal and I thank you for taking some time to recognize that critical investment. I also...I'll hit a couple more agency things and then I want to kind of come back to the overall picture for state aid and the support of schools across the state. But a few more asks that I have of you, and these, at least three of these, actually have nothing to do with asking for more money but authority to spend money. And so the first one is that you would take another look at how much money we have for PSL, and I'll describe a little bit. So within our personnel service limitations, we're in a mode at the agency of trying to reshape. We've done a lot of contract work over time that I think long-term contract work ought to actually come into permanent employee work in the long run. I think we'll save money as a state. I think we'll save money as an agency. But without having some nod from the Appropriations Committee that that is something that would be worth investing in, we really can't start that process, because I'm usually on two-year contracts and I don't have a chance to know, well, is that authority going to be there for us. So I'd ask that you give some consideration to some amount of PSL that could only...that would not require any additional funding appropriation but only the authority to spend that funding on...from a PSL perspective. Something similar is that we would ask that we would be able to access the existing balance on the Teacher Certification Cash Fund in the amount of \$275,000 for each year going forward, I don't remember exactly how many years but part of the redesign of the Teacher Certification System. Again, we're trying to build a new data system there. There's cash funds that come into that based on fees. We're just asking that you would consider going ahead and granting us that authority to spend those funds on that particular project. And third, that we

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request that--and in fact you granted it to us in LB22--but ongoing access to Early Childhood Education Endowment Cash Funds in the amount of \$500,000 each year. This happens to be when we have that private-public partnership in which we're able to access those funds. We need to make sure that we have the authority to spend those funds when they're granted out of that system. And then finally, this one is an ask from a dollar perspective, but we have a requirement on the matching for the School Breakfast Fund that we see that is short just \$15,000 per year, so we'd ask that that be included in our budget as well. So that's kind of my agency perspective. I want to put on a slightly different cap and talk about the Commissioner of Education and the perspective of how we go about ensuring that we're supporting our schools across the state and where we go from here. And I'm going to give you, just because I made this up in sitting through the rest of the testimony, but I started thinking about what IT and what capacities in the state we have and what you come...what we provide as far as educational opportunities for students to build capacity for the future of Nebraska economically, policywise, educationally, all those things coming together. And I thought about this whole dynamic. I have to thank Dennis Krejci, who was my business teacher when I was in high school, still teaching, still teaching at this point. But I remember a Commodore Business Machine was the computer that was the rage at that point in time. By my senior year we had an Apple. We were really moving up and being able to do word processing there. And then I remember getting to college and not having a lot of need for computers yet at that time, just the time frame as it went. But by the time I hit my master's program, I got really quite good at spreadsheets, or at least I thought I did, and it was Quattro Pro, so it wasn't the Microsoft product, right? It was the competitor product at that point in time. And I can remember spending time in my master's program and I suddenly got quite interested and involved somehow in school finance policy and I got pretty good at running these things on a spreadsheet. And I walked over to the Capitol after I had an opportunity for an internship at the Rural Development Commission at that point in time, to talk about school finance. And somewhat out of the blue, I found myself, quote unquote, working on school finance. Sandy might remember some of those points in time. I found myself working on school finance and then suddenly being quite interested and intrigued about the conversations that it included from a policymaking perspective in what we did. And I remember at one point, in fact, Senator Warner was still alive, and then at one point there was some other person that was introduced into the legislative arena. I remember testifying in front of the Education Committee where I printed out my spreadsheets and I was talking about the impacts of different school finance proposals that

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were taking place. Well, that...I went through my static spreadsheets, and some other guy was sitting back there with a laptop and an excel spreadsheet and that guy's name was Raikes. Of course it was Ron Raikes. And I quickly learned the power of spreadsheets and data and information in a policymaking perspective. And it's important that we're thoughtful about building capacity for the future that we can have these conversations. So many people have changed. I will tell you so many people have changed in a policymaking perspective. I never thought I'd be Commissioner of Education, and some day I can tell you that whole story and how that seems to tie a lot of these pieces together. But school finance in Nebraska--and you are dealing, because you're the Appropriations Committee, with school finance--but there's a whole theory underlying what we do in school finance in Nebraska and what our obligations are. But I don't think anyone is left to remember what all of those theories and philosophies happen to be. I happened to testify yesterday in front of the Education Committee and it was on Senator Kolowski's bill to propose a School Finance Review Commission of sorts. I think it's conceptually a good idea. I testified in the neutral capacity. But in 2000 or 2001, I was named the school finance expert by Senator...well, by then-Governor Johanns and served for just one year before that committee was eliminated. But that's where we got together to talk about what's the philosophy of the state and how do we bring that together. When we passed, at one point in time in Nebraska's history...before that, by the way, the notion that we had, quote unquote, an autopilot on school finance, the aid formula got to determine how much money went into the formula and that was what was going to be appropriated, we're still in that, that mode in Nebraska. The law has to change to change the amount of the appropriation. And perhaps that's not what we want anymore, but we're going to have to have a conversation about how we do that for the future. So currently, and you all know this, but currently that element of that policy work exists between the Education Committee and Appropriations Committee and perhaps even with the Revenue Committee in the middle of that conversation as well. But oddly enough, I don't feel as if we have any underlying theory that we all believe in about the distribution of aid to schools. We sat for a long time with the aid theory being about equalization and ensuring that those schools that had less access to resources for their students, the state would fill in that gap. That was what school finance was about. We went for a long time talking about what are our needs of our schools and arguing about what those needs happen to be, and we've designed those elements into the formula. I know that it's a tough thing to balance the state's budget, and when we look at that I actually appreciate your giving more as a percentage increase to TEEOSA than

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you are any other aid program, and I really appreciate that. But there's a whole theory that runs behind this that we're going to have to sort out as a state. And I'll tell you, it's not because...it's not because it's easy, easy work that I sit here and go, I hope I can contribute to that conversation in the future, but because I have to contribute to that conversation in the future. The state of Nebraska, as I mentioned yesterday, when the Legislature determines how much money goes into a school finance formula, if the state, and there's rationale that we've been sued in the past over school finance, well, the funny part now, funny in the least funny terms I can think of I guess, is I'm in that role and I have that responsibility. If the state of Nebraska is sued, it includes me and it includes this notion that if we're sued, if we have a responsibility, we have to be able to meet that responsibility. But I don't think we've figured out what that responsibility is in a modern setting and I think we're going to have to do that. I suspect you may hear from schools or others that are here to talk about how much money is going into TEEOSA. And again, I hope everyone thanks you for your efforts to include what you can. But I think it is a tough time, because in times where we're making decreases in funding, we have to have a theory of action related to that that ties to our responsibilities as a state. And I want to continue to work with you on that. I know it's difficult as we go back and forth between various committees, and I'll run back over across the hallway to talk about accountability and other things in that setting, but we have a fiscal accountability responsibility. We have a responsibility as a state to ensure that we provide the right funding for schools and to balance every other interest, including property taxpayers' interests and individuals' interests. So I appreciate that. I offer up to you that the Department of Education, in our work, will continue to build capacity for the state to do that work, just like I won't run Quattro Pro anymore. I'll try to work on something a little bit more modern. But I do commit to being available, having our team available to you to do this hard work as we go forward. So with that, I will end my soapbox comments. [AGENCY 13]

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

SENATOR BOLZ: Thank you, Commissioner. Thank you for your testimony. I have a letter from the Nebraska Council of School Administrators. And I recognize that you don't represent them. But this is the first time that I can recall, and I could be wrong, you can see how much paper we get, but this is the first time that I can recall that we've gotten a letter of opposition relating to our recommendations regarding the percentage of the TEEOSA formula that we're

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able to fund in this committee. And I think we all recognize that it's an exceptional year. But I wanted to talk about that for a couple of minutes, and the reason I wanted to talk about it with you is because they reference that...they say, while we appreciate the modest committee proposal increase in TEEOSA funding by 2.1 percent for each of the next two years, we feel that it falls well short of the recommendation from the Nebraska Department of Education. So my...I guess my first question is, remind us what your recommendation from the Nebraska Department of Education was. [AGENCY 13]

MATT BLOMSTEDT: Yeah, I might have to turn around and ask to get specifics, but the amount of money that was...in fact, current law, so it's not a recommendation, right? This is based on the current law. So as the current law is constructed, there's the whole TEEOSA formula and I think that amount, and I'm going to look back at Bryce, but I think it was \$1,045,000,000, if I remember right, oh, 46, okay, so I was close, which would be roughly a 6 percent increase, 6.4 percent increase. And so the...and I think that's...and again, I don't know exactly. I don't think it's our recommendation so let me put it out there this way. It's what the current law is. And so until this body acts to change the current law, that's the amount that is supposed to be appropriated to schools. [AGENCY 13]

SENATOR BOLZ: Sure. Just a couple of more questions, and one brief one. Would Mr. Wilson, who's behind you, would he be a graduate of Palmyra High School? (Laugh) [AGENCY 13]

MATT BLOMSTEDT: I heard that. [AGENCY 13]

SENATOR BOLZ: Yeah, I think perhaps. [AGENCY 13]

MATT BLOMSTEDT: I heard that rumor. [AGENCY 13]

SENATOR BOLZ: I think perhaps that intelligent (inaudible). [AGENCY 13]

MATT BLOMSTEDT: I don't know that I ever saw his diploma so, you know, we won't go there. [AGENCY 13]

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SENATOR BOLZ: I think perhaps he's a product of the public school system. Thanks. My actual question is so when we're talking about what the Nebraska Department of Education's philosophies and principles and ideas about the appropriate level of TEEOSA funding might be, what are the principles, philosophies, and ideas that you talk about beyond fully funding the formula, because this is, of course, not the first year that we've not been able to fully fund the formula. [AGENCY 13]

MATT BLOMSTEDT: Right, we...right, sure. And there's a couple different things. Number one, the types of mechanisms that we used in the past in the notion of fully funding the formula really come from, again, this...not...maybe not everyone knows this history too, but I did end up working for Senator Raikes for a couple of years out of the Education Committee. One of the philosophies I think at a point in time is that the formula needs, the amount of money that goes into it is the needs minus the resources, as we define them, equals aid. And so what happens when we change the law is we change the law to recognize a decrease in those needs in some fashion or another and those resources. But we've always gone about fully funding it in the sense of the definition that current law says that. So from a philosophical level, if I'm just to take kind of the responsibility to carry out the law, that's probably what we mean. So you couldn't just decrease the amount of money available because it is by law, because this body at one point said this is what we ought to have from a funding level. There are other things though. I think that how you go about doing that, it's, you know, traditionally been an exercise of work of the Education Committee. I still anticipate that's how that works but, ultimately, the full body as well to talk about those mechanisms in which they do that. And you try to find the most fair way to accomplish that. Because of the history of equalization, there's an interest in ensuring that all schools are treated fairly, that we're not giving more resources to one school in our underlying theory compared to another, that we're not funding some schools' needs and not...and then funding all school...other schools' complete needs on another side. There's that balancing act that's taking place. But we've gone through an amazing point in history where I would have never guessed ag land values would have grown like ag land values did. And I think there are legitimate concerns for ag land taxpayers as a result of those conversations. But they're legitimate concerns for us as a state on how we treat education funding as a result. So it's a difficult conversation, because it used to be that many more school districts received equalization aid and far fewer do now. And so when you talk about just removing equalization aid from that

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construct of a much smaller set of schools with a substantial population, by the way. But a smaller set of districts overall take and bear the brunt of that. Unless you look at other mechanisms that are available, and there are a few--and I don't want to go into great detail but there are a few--that you talk about spreading them out across so all schools, to the extent possible, share in kind of the decrease in resources available from the state. [AGENCY 13]

SENATOR BOLZ: I appreciate that and I don't mean to oversimplify your years of (inaudible). [AGENCY 13]

MATT BLOMSTEDT: I'm not sure I oversimplified it even in as complex and as much as your eyes glazed over (inaudible). (Laugh) [AGENCY 13]

SENATOR BOLZ: Well, I mean I guess what I'm hearing you say is that there's the recognition of a need for negotiation between this committee and the Education Committee, and that one of the underlying principles is fairness--how do we make sure that even when we're not able to fully fund the formula, how can we do that in the most evenhanded way, barring the evolution of the funding formula that you referenced earlier in your testimony. [AGENCY 13]

MATT BLOMSTEDT: Yeah. Absolutely. [AGENCY 13]

SENATOR BOLZ: Thank you. [AGENCY 13]

MATT BLOMSTEDT: And it's changed. This body has changed a lot, in my observation of it, and not to say it was any better before. It's just that we had folks before that had long histories with it. Term limits have changed how that happens to be. You have to learn so quickly and I don't know how that's even possible for us going forward unless, I guess to a certain extent, that I also carry out my responsibility as a, you know, an agency of the state with the responsibility of the State Board. We want to make sure that the state system works. I know we're going to hit hard times on occasion. We have to understand how we do that best. You know, I really regret seeing any types of fights around school finance for a lot of reasons because it divides us. It divides schools in a lot of different ways. And somehow we have to find...I know that definition

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of fair is kind of in the eye of the beholder a little bit. But I think it is incumbent on the Legislature and I believe incumbent on me to help facilitate those conversations. [AGENCY 13]

SENATOR STINNER: Senator Kuehn. [AGENCY 13]

SENATOR KUEHN: Thank you, Mr. Chairman. Thank you, Commissioner, for being here today. I'm going to shift gears a little bit away from...I know you love talking about equalization aid and local district funding. [AGENCY 13]

MATT BLOMSTEDT: Sure, oh, I do. It's great fun. (Laugh) [AGENCY 13]

SENATOR KUEHN: I appreciate in your earlier introduction, putting on your agency hat and talking as an agency director, particularly around the issue of how we maintain operations in the agency. [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR KUEHN: We've had some history with other agencies within the state relating to federal funds. And as I'm looking into the Department of Ed and some of the issues associated with agency operations, it's my understanding that twice now the department has been declined waivers from the U.S. Department of Education for which it applied. What is the agency doing to ensure the long-term sustainability and viability of those Title I funds to the tune of about \$67 million? [AGENCY 13]

MATT BLOMSTEDT: Yeah, and certainly a lot of changes at the federal level too, obviously, that are taking place. First of all, we still are in the rumor stage about what might happen on a federal level. And if you look at the percentages I have, close, is probably not accurate, exactly accurate, but we're about 70 percent or 75 percent funded by federal funds across all of our different programs. Obviously, that's a substantial issue for us as we're hearing rumors of 10 percent decreases here and there across the agency. Probably from an operations standpoint, my guess is that that's less of a concern than the kind of what I would call pass-through funds on to schools on Title I and on special education and those fronts. So we are trying to pay close

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attention to what's happening at a federal level. I do. But I mean kind of another of my personal history is I'm lucky to have a history of where I sat on the School Finance Review Committee, to get me back to there, with U.S. Senator Deb Fischer. And so on occasion we were able to communicate with her some of our concerns about what's happening at a federal level. We participate as best we can in conversations as a small state. You know how that goes. On occasion, maybe they're not paying close attention. But I think we're a leader when it comes to vocational rehabilitation in our efforts. Certainly Mark Schultz, the deputy and commissioner...director of VR, has an amazing national reputation. So on that side of it, I feel, you know, quite blessed that we have him there, our work on our regular basis with our delegates. And we maintain a good relationship with the U.S. Department of Ed, I believe. So, even though we were not given a waiver on our last waiver application, really, the changes that happened within the Every Student Succeeds Act now are quite favorable to what we think would be appropriate. So now it's watching funding and ensuring that, well, or at least as best we can, ensuring that those things are as fully funded as possible. [AGENCY 13]

SENATOR KUEHN: That's helpful. I also am aware both state and federal law require release of assessment data, and I've also noted that the A QuESTT data from the 2015-2016 has not yet been released. Is there a reason? That seems to put us out of compliance. [AGENCY 13]

MATT BLOMSTEDT: So the...no, it doesn't. So the assessment data has been released so that's actually what their requirement is. And A QuESTT and the work that's going on with A QuESTT is actually shaping our accountability. So we're waiting to put that together with our Every Student Succeeds Act plan, which we're waiting on rules and regs on that front yet as well because the new administration has changed that process up. But by September, we have to submit that particularly plan and run through that process. We've also built a process that really categorizes schools based on...or classifies schools based on their performance levels that includes that assessment data. And we give kind of directional information with what we call the Nebraska School Profile that looks at that. We're still kind of building that as we're able to take data systems and make sure those things are coming together effectively. We did last year, because of the changes in No Child Left Behind, there was something called...now I just dropped it just like that, but we had AYP that we had to report within our school report card data. We're in

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the process of changing that system so our report is better for Nebraska's purposes. [AGENCY 13]

SENATOR KUEHN: So with regard then to that federal accountability piece, do you...you know, is it your opinion as a director or as a commissioner that we're in full compliance with federal accountability guidelines? [AGENCY 13]

MATT BLOMSTEDT: Yes, I really think that we are. But in part what we hear, with the changes going on, I think they'll be asking us to do more. We'll go through a process where we do what they call peer review from the U.S. Department of Education and they'll go through our plan thoroughly and scour through that and ask us how to go about that process. When we...I can go back through a little bit of history on statewide assessment in Nebraska. At one point in time did something that we called STARS local assessment and there was...actually it was Senator Raikes and I happen to staff on that, that we didn't have a statewide assessment system. And now we have a...I think a solid statewide assessment system in what we've built with NeSA. But obviously we're in a transition as well where the Legislature asked us to move forward with a high school assessment with ACT, which I think has a...I think a really good benefit to individual students for their futures, and I think that ought to be the important part of it. But we're also in process of an RFP that was released to reinvent grades 3 through 8 assessment. When you hear about what are the most important things that students know how to do and what they're able to demonstrate in their knowledge, we think assessment systems will probably change over time but we still have our requirements on looking at math and reading, and we think that's obviously quite important, science as well. And when you tie those things together, we need a robust data system, a robust assessment system that ties that together so we can report that accurately and quickly, actually, I would say is my preference, so schools can respond to that and communities can respond to that data. [AGENCY 13]

SENATOR KUEHN: So it appears that a lot of our accountability data at this point is quite reliant on input surveys from principals, as not necessarily as heavy on outcomes. Do you see that changing as you get more data systems on line and (inaudible). [AGENCY 13]

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MATT BLOMSTEDT: And I would actually...I would disagree with that premise. It's actually mostly reliant on assessment data with a little bit of information around those other pieces. We also have a requirement for schools to fill out what I call check-the-box types of...from an accreditation standpoint: Do you have this many hours or that many hours? What we started to ask schools is how well do you do certain things and then we're able to investigate whether or not they're really doing that through our regular accreditation process. You've got to have boots on the ground, so to say, to really understand if those are valid and reliable instruments, and we've been doing that as well. [AGENCY 13]

SENATOR KUEHN: And where are you, finally in closing, on the status of that RFP process for the new assessment system? You had quite a range, a \$3 (million) to \$6 million range on that. [AGENCY 13]

MATT BLOMSTEDT: Yeah, and actually, yeah, quite a... [AGENCY 13]

SENATOR KUEHN: And that's a big difference. Three million right now is a big deal for us, so. [AGENCY 13]

MATT BLOMSTEDT: Yeah, and for us as well. So the...we're in process where the team has actually gone through and scored the various things we had. We had some companies come in and do additional presentations. We're doing some additional feedback for some of those companies. We anticipate a recommendation to the State Board in our April meeting, which is the first Thursday and Friday of April, with a decision point in May. And so we are watching carefully and ensuring that the amount of money appropriated obviously can carry out that task. The difference on the low end, as you might expect when you get a low-end bidder, whether or not they actually met all the requirements. We're doing an apples to apples check to make sure that the requirements are met. [AGENCY 13]

SENATOR KUEHN: Thank you. [AGENCY 13]

SENATOR STINNER: Senator Vargas. [AGENCY 13]

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SENATOR VARGAS: Thank you very much. Thank you very much for being here, Commissioner. I just had a follow-up question for something that Senator Kuehn brought up around the accountability system. For the amount, just quantitative inputs, right, that we're utilizing... [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR VARGAS: ...for it. Can you talk to me about the percentage of factors that are self-reported by schools? [AGENCY 13]

MATT BLOMSTEDT: Yeah. I mean the percentage of factors or how it's actually weighted within then, is that what you perhaps mean? [AGENCY 13]

SENATOR VARGAS: Uh-huh. [AGENCY 13]

MATT BLOMSTEDT: Yeah. So the number of schools that actually moved on any of those is relatively low. Like under 10 percent of the schools were able to move based on those factors. The rest of the factors are based on assessment, based on graduation rate or graduation and improvement in assessment and improvement and growth within assessment. So almost all of the factors that really are the bulk of that end up being there. The other portion is relatively limited. I'd have to look at the specific number that were moved, but it was under 10 percent of the schools. What we were trying to do is actually, with good practices, you would expect a different type of result in the long run. So if we had schools that happen to be in our lowest classification, which was "needs improvement," you know if they...and some places we knew that were doing really great work and some of those places it's like that evidence that they could actually demonstrate to us and fill that out. We had other evidence too. We collect a lot of other data and information from schools. So we knew if they're really providing or really working hard for that improvement process and you'd start to see results. So you're trying to get predictive analytics into the mix--if you do X you'll have this type of result in the long run--and we think schools ought to be credited with those types of systems in the future. [AGENCY 13]

SENATOR VARGAS: That's great. I was just curious. I know we... [AGENCY 13]

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MATT BLOMSTEDT: I can get the exact, what the breakdown is. [AGENCY 13]

SENATOR VARGAS: Yeah. [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR VARGAS: Yeah, that would be helpful. And then you said there's a number of schools that have changed as a result of that weighting. [AGENCY 13]

MATT BLOMSTEDT: Yeah. So I think the numbers, because we had roughly 1,160 schools identified within the system that sometimes we--I can't say buildings because we have K-12 buildings that have elementary, middle, and high--but our elementary, middle, and high schools that were classified. I want to say around 100--and some were moved based on that, using that what we call evidence-based analysis. They had to sign off and say, hey, look, we're really doing these things at this level. [AGENCY 13]

SENATOR VARGAS: That's great. And I appreciate you calling out this emphasis on assessments. I know that changing to the ACT, at least from my understanding, is to make sure that we are setting a standard. We're able to also compare ourselves to other states and elevate what we expect our students to be able to perform but also to inform instruction. For these NeSA test scores, I know that our tests, we are looking into changing some of them. Have the cutoff scores changed from year to year? I've been very curious about this just... [AGENCY 13]

MATT BLOMSTEDT: There's quite a science behind that. I don't know if I can do it justice, but. [AGENCY 13]

SENATOR VARGAS: Well, yeah, (inaudible) trying to think about like year to year, are people, are students from last year, would they be qualified under a different set of cutoff scores? [AGENCY 13]

MATT BLOMSTEDT: So because you changed test questions, you use psychometricians to evaluate whether or not that the cutoff score from year to year was comparable. So ACT does

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this too. I didn't even know this until we engaged with ACT. But if you take ACT and you're in February of your, say, your junior year, they adjust scores based on if you had taken it in May. So that's why your scores don't change dramatically because they're cut scores. And the science behind their scores, even though you had maybe a couple more months for opportunity to learn, it doesn't change dramatically because they actually adjust where they're at. For Nebraska's, we're not nearly as sophisticated and I think that's one of the things we look at within our new 338 assessment, you know, when we built holistically our own state assessment system. Other states have collapsed underneath that burden and even companies individually have struggled with that. So we're really looking for companies that can do that, work with us, and partner well with it so we can feel that we really trust those results. [AGENCY 13]

SENATOR VARGAS: No, that's great. I bring it up because as we are investing in the ACT, we're investing in these new state assessments and they're included, hopefully, in our parameters for how we are using our accountability system, A QuESTT, it makes the strength of the way that we hold schools accountable and make that information available to parents more informative. And hopefully we have less than 10 percent that is left up to schools to determine, you know, their ratings. [AGENCY 13]

MATT BLOMSTEDT: Yeah, it's...I mean I think you raise great points around this. When we look at the...I actually say the first accountability system was the state accreditation system built in the middle '60s, right, that you know every five to seven or however many years they did it at that point in time, you brought in folks from the outside to evaluate how your school system was doing. We've evolved considerably in how we think about those processes, including using data to make sure that every student is advancing the way that we would want and that we have a good sense of that when we look across school districts and necessarily how that works. When everyone is talking different languages, that doesn't necessarily help us in that process. And so I think the importance of state assessment was that. But also the importance of a state accountability system, where we're all having similar expectations and understand what those expectations are, is critical. And so we think the accountability system has to reflect all those things to be the most effective. And then we have to have a theory of action about how we go in and I'll use in particular three priority schools identified within the state law and that we've used A QuESTT to be able to do that, where we go in and work intensively with schools around

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improvement. And you learn a lot about those processes. I, you know, school districts for a long time and school officials for a long time, not just in Nebraska but across the country, really question the accountability as what was its purpose. And I think what we've worked so hard for in Nebraska is to ensure that our purposes are clear, that improving schools, improving student outcomes are critical. I think the best accountability system is that when you know that those students that are in your classroom return to you later and say, I got what I needed to be successful, and our business community says, we got what we needed from that. That's what we're trying to build in Nebraska. And I'm actually quite proud of that effort overall and I thank you for your questions on that. [AGENCY 13]

SENATOR STINNER: Senator Wishart. [AGENCY 13]

SENATOR WISHART: Thank you so much for being here today. I've seen a chart, I think it actually might be in Senator Kolowski's office, where it shows what schools were required to do, you know, 70 years ago, and all of the additional requirements we are now asking of schools within the same hours that existed 70 years ago. And one of my questions is, are the requirements, and not that it's negative that we're asking more of schools, but are those requirements costing our schools more dollars? [AGENCY 13]

MATT BLOMSTEDT: Well, I mean, and I guess anecdotally I would say yes. I mean when we put other requirements on schools, there's some additional cost. I...you know, I'll talk about federal programs just for a moment, and I ask often that certain schools take a relatively small portion of federal funds on occasion. And I've asked when I've been in rural school groups or other, I ask people how many are taking like a Title I grant, for instance, of \$40,000 or less. The cost of administering that, given kind of an accounting and the requirements (inaudible) costs quite a bit as well. And so when we place other requirements on schools, yeah, there's a growing burden on schools I think. [AGENCY 13]

SENATOR WISHART: So is there any organization or within the work that you do where we look at the additional, you know, all of the requirements of the schools and prioritize which ones are very important but in tough budget years are there some of these that cost dollars that we

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may need to rethink whether we require the school to do that or not? Do we have a list of those kind of priorities? [AGENCY 13]

MATT BLOMSTEDT: I don't think in a comprehensive way that you're discussing it. It's very much part of the exercise we're going through as an agency relative to our strategic plan, within the State Board's strategic plan that includes, you know, how were closing achievement gaps subgroup by subgroup. How is that going to be done? When you start to prioritize your work that way, you start to realize, well, if this doesn't make a difference why do we invest in that? I have a feeling anyway that part of that requires a certain level of evaluation of programs to know whether or not that they're really making a difference. I will tell you everywhere I go the most significant difference that we find is, number one, leadership in a building and the culture of a building; number two, the intrinsic motivations of students that only comes realistically from parental engagement and adult engagement with students, and I think that those are important things. Now I don't have the evidence to necessarily back that up, but it doesn't mean that a lot of the programs don't fit into that, but they have to really know what those purposes are so we can determine which things are most effective for us to invest in. [AGENCY 13]

SENATOR WISHART: And then another question is, how many...so as a student, how many tests do I take in my life as a student K through 12, state or federal assessment? [AGENCY 13]

MATT BLOMSTEDT: So if it's state or federal, and it depends how you set that up. So you could say the one per year, but it includes, you know, certainly English, Language Arts, Math, and Science. [AGENCY 13]

SENATOR WISHART: Okay. [AGENCY 13]

MATT BLOMSTEDT: I used to know that number off the top of my head, how many it is, but the reality for us is, yeah, so if you're in 3rd through 8th grade, you're taking at least two if not three tests per year. We also require a national assessment of school districts to offer. I've looked at ways that we ought to try to consider streamlining that as well. And then obviously at high school we only have one required that's ACT now going forward. So... [AGENCY 13]

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SENATOR WISHART: Okay. [AGENCY 13]

MATT BLOMSTEDT: ...so in the 30 or, you know, 25 to 30 range, yeah, that are required by state. Federal doesn't require any assessments outside of NAEP comes along, but that's a sampling. It's not a required assessment by all students. [AGENCY 13]

SENATOR WISHART: Okay. [AGENCY 13]

MATT BLOMSTEDT: Now if you happen to be that student in the sample district, it becomes required for you I suppose, so. [AGENCY 13]

SENATOR WISHART: And the reason I ask that is several, several reasons. First is that, you know, when we're looking at the budget and, you know, testing does cost dollars. And while assessment and accountability is very important, we need to make sure that, like you said, we are effectively assessing students and using that data and not just testing for testing's sake. The other reason I bring this up is because testing, standardized testing, is I've heard from teachers, students, parents pretty energetically that they're concerned about the level of testing that's taking away from relevant coursework and just teacher-student relationships and also students' ability to have time to think creatively and independently and all that kind of stuff. And so I, you know, I do want to make sure, above and beyond just the dollars and cents, that we are being smart about the amount of testing in this state. [AGENCY 13]

MATT BLOMSTEDT: No, I absolutely agree. And actually if you...there was kind of a national push last year to determine how much time was being spent. We were half of what the national average was roughly as far as time in assessment by informal large-scale assessment, like state assessment happens to be. What I would also tell you is that those assessments have to be done in such a way that it has meaning both to the student and the classroom teacher as well. Tying that together is much more possible now than it was once. I mean technology has changed how quickly results are able to come back. And good teaching includes assessment, by the way. I don't want to...you know, when we talk assessment, good teaching includes assessment because teachers have to know what that is. So not every assessment necessarily is large-scale, but teachers are constantly doing formative assessment in their classrooms to understand and check

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for learning. And it's important that we also include that in our assessment philosophy. But I'd like an assessment system that ties together so one isn't seemingly different or not connected to the other work. We ought to be learning from that and the students, I think first and foremost, ought to be the ones that benefit from the assessment. [AGENCY 13]

SENATOR WISHART: And then just going back to my first question, would there be a way for us to get a more comprehensive list of some of the requirements that we as the Legislature has asked of you and the dollars associated with that? [AGENCY 13]

MATT BLOMSTEDT: Yes. I think we could go about a process where we would...and not just Legislature. I mean I think we're trying to do that on the federal side as well. So I think we can just add to that activity a conversation about how we would look at that. People always talk about, well, what's the unfunded mandates? And that's a hard thing for me as an agency to do because I carry out the law as is prescribed to me, so we have to go back through and exercise where we say, hey, look, we're doing this. We are going through an exercise at the department including our implementation plan of our strategic plan that will include priorities program by program, activity by activity, and a priority rating on that to know whether or not is it required by state or federal law? Is it something that we think dramatically contributes to the accomplishment of goals or is it something that is less important? So we're doing that in the agency ourselves and I think it's important that when we look across the education community, it's the same type of conversation. So we hope to be able to lead in that process so others can also participate in that conversation with us. Schools, you know, often it's, well, we were told we have to do that so that's why we do that. I mean that's not always the best answer for me as a leader when I'm talking to my staff because I'm like, well, you know, we can ask to change the law if we think it's not effective. And I think that becomes the conversation that becomes important with the Legislature as well, that we can sit and have that conversation, some detail with the information in front of us, yes. [AGENCY 13]

SENATOR STINNER: I do have questions. [AGENCY 13]

MATT BLOMSTEDT: You probably have lots of questions. [AGENCY 13]

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SENATOR STINNER: I would like to get back to the direct budget issues. [AGENCY 13]

MATT BLOMSTEDT: Okay. Sure. [AGENCY 13]

SENATOR STINNER: PSL increase is something you have asked for and I believe it's referred to in the agency request under operation. A portion of the increase in the salary limit would also be used to add staff and build internal capacity. "Add staff and internal capacity" is code, for me, laying on overhead. That said, NDE has about 187 contracts with individuals, totaling \$5.2 million per year, to assist the department in operations or duties. So obviously, you're going to take the \$5.2 million, add your permanent staff to that... [AGENCY 13]

MATT BLOMSTEDT: And talk about the...yeah. [AGENCY 13]

SENATOR STINNER: ...and you're hoping to save money is what I understood you to say. [AGENCY 13]

MATT BLOMSTEDT: Yes. Absolutely. So contracts cost us a lot. And not all of those contracts necessarily would be long-term activities, but there are certain things that have become long-term activities of the agency that we've contracted out over the years. Some of that has to do with actually assessment or some of that has to do with the kind of...I won't call it operations per se but specific duties that we're required to do. When you start to bring that in-house, I believe we can accomplish some savings on some of those contracts compared to where we've been in the past. [AGENCY 13]

SENATOR STINNER: I would definitely like to have a list of that,... [AGENCY 13]

MATT BLOMSTEDT: Yeah, we can work through that. [AGENCY 13]

SENATOR STINNER: ...prioritize it, show long-term, short-term, before... [AGENCY 13]

MATT BLOMSTEDT: Okay. And I think we've even...so the Office of CIO, for instance, there's a group that's called Covendis that has a state contract. And on occasion, when we needed to do

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product management or detailed programming, we might use that. Well, some of those positions we spend a lot of money on, that I think we could maybe cut down the amount if we could employ someone directly to do that work, so. [AGENCY 13]

SENATOR STINNER: And when we looked at your assessment activities, you asked for \$3 million and \$3,007,000. [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR STINNER: We've decided not to do anything on that simply because there was \$7.2 (million) in the budget already...or \$7.4 (million) in the budget but also because of the 11th grade testing. It would release another \$1.3 (million), which would bring you up to \$8.7 (million). [AGENCY 13]

MATT BLOMSTEDT: Yeah, so I think we're...I think we're all right on that front, as far as I know. We still have the...what we have out there for our fees, but we're going to be working within that budget that you've already given us, so. [AGENCY 13]

SENATOR STINNER: So it's okay if we just keep that level. [AGENCY 13]

MATT BLOMSTEDT: Yeah. Yeah. [AGENCY 13]

SENATOR STINNER: Another thing, on the funds to support IT education, and it's a priority, 15 of 21, it always catches my eye when you say, an investment by the state and coordination of resources will save Nebraska schools at least \$30 million on an annual basis in cost for system, staff, and data. When can I subtract \$30 million from the budget? [AGENCY 13]

MATT BLOMSTEDT: Yeah. So... [AGENCY 13]

SENATOR STINNER: And I'm not...it's not a smart remark. [AGENCY 13]

MATT BLOMSTEDT: No, no, I understand what you're saying. [AGENCY 13]

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SENATOR STINNER: Connect those dots for me. [AGENCY 13]

MATT BLOMSTEDT: Yeah. So part of what...and there was...and I'm not going to remember the LR number. I want to say it was LR264. I could be wrong. [AGENCY 13]

SENATOR STINNER: LR264 is right. [AGENCY 13]

MATT BLOMSTEDT: Yeah. So Senator Scheer had introduced that. We did a study and included, you know, surveying schools, what types of data systems they were using, what types of student support systems they were using, how they were going about doing that. And they're all out buying individual systems on their own. What we were proposing, at least part, was to can we actually purchase the systems together so we can have more capacity around those given systems instead of everyone having to build their own capacity. And that was a substantial part of that, that cost. We looked at other states that had done something similar and I want to say it was Arizona had done something similar. They said bring those systems together so schools aren't out there doing their own thing and you can economize there. So the estimates within that...I think the estimates that were probably used in that document come from that LR264 study. [AGENCY 13]

SENATOR STINNER: And you're proposing that this is going to be a long-term fix, we're not going to switch and go to something else or...? [AGENCY 13]

MATT BLOMSTEDT: I mean that's what I would propose. And I'm not sure all schools would be supportive necessarily of that approach. Part of it is though even when I talk about assessment and assessment systems, we need to build those into support systems for schools and school improvement and students ultimately. So I mean I think, to Senator Wishart's point, a separate assessment system that doesn't also support what's happening in schools doesn't make sense. Well, I think the same is true on a separate data system that doesn't support what schools are doing and a separate instructional kind of an improvement system from the, you know, whether it's on-line curriculum or even, I mean, dare I say even the Microsoft IT Academy. Anything that's delivered digitally or otherwise, if everyone is building their own thing, there's a cost to

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that. If we could provide a better service and support system in the long run from the state, I think we could accomplish some of economy of scale and some savings. [AGENCY 13]

SENATOR STINNER: Now we used a phased-in approach. Are you in phase one on this project? [AGENCY 13]

MATT BLOMSTEDT: I think we're trying to do as much as we can all the time. So, yeah, I guess we're in phase one, if that would be the right way to...I was going to phrase it, since it rhymes, but. [AGENCY 13]

SENATOR STINNER: But your request was for \$7.4 million and \$7.6 million. We're looking at \$2.3 (million) and \$1.9 (million). That's a world of a difference. So... [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR STINNER: ...are we missing something in that calculation or is that... [AGENCY 13]

MATT BLOMSTEDT: Well, I think what you're proposing is some of that cost. So we'd have to go back and look, if that's appropriated to us, how we would actually propose to kind of leverage those funds for that type of investment. I think we included buying a lot of different systems for schools in that original proposal, that we would pick up that full cost eventually, which would, you know, if it's just a dollar-for-dollar trade-off, schools are spending it or we're spending it, we can do it a little more efficiently. That was kind of the concept. [AGENCY 13]

SENATOR STINNER: Okay. Under expand Step Up to Quality funding, you have requested \$538,000 more and then almost \$1 million, and we already are committed at \$1.7 million. We have now 167 programs. My idea of that or concept was that we develop a curriculum, we have a director that kind of oversees it, and then some possibly coaches out in the field. This is really a huge commitment,... [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

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SENATOR STINNER: ...much bigger than what I thought when we first started this program. How many people do you need? [AGENCY 13]

MATT BLOMSTEDT: And I think that was in the original proposal. I am trying to kind of guess. But when there was a push to expand the availability of early childhood programs and as we continue to do that and look across those particular demands, that was estimated based on what those demand analysis happen to be. And you're right and this kind of brings back to the philosophy of the state and where we make particular investments. That continues to be that type of are we going to spend money on the front end of that for that child or are we going to spend money somewhere else? I think that was trying to anticipate what the numbers we're looking at for the potential for growth in that program. Whether or not that's the right way to do it I think is going to be the challenge. [AGENCY 13]

SENATOR STINNER: So you've got 167 programs that are now in it. [AGENCY 13]

MATT BLOMSTEDT: Right. [AGENCY 13]

SENATOR STINNER: You're anticipating more and more and more folks? I mean what's the lid on this thing? Three hundred or...? [AGENCY 13]

MATT BLOMSTEDT: Well, if you took per building in the state of Nebraska, and I'm not saying that's really how that would go, but you know you probably...yeah, maybe 300. I was trying to think, 1,150. I'm trying to think how many elementaries there are. Yeah, so...and I'm not saying that's necessarily the way to go, but we were trying to do it based on the estimates that folks were saying the demand that was out there. One of the other, I think, realities of that is the, you know, ongoing concern of the amount of work force available to even do that type of expansion. I'll throw one more policy piece in that kind of ties to this is right now we do up to...well, a third of...and three- and four-year-olds relative to that. We, on occasion, have small schools asking us, oh, we have a gap year for those students that want to be held back. I think there's demand out there. Perhaps how we go about the demand analysis on that and then what the funding prospects happen to be, but I think that was kind of the aspirational, if we were really going to expand that, that's where we'd be. [AGENCY 13]

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SENATOR STINNER: Well, I'm curious why we can't reach a partnership agreement with the school systems that are there, develop some coaches there, kind of bridge that gap in a more efficient manner than centralizing... [AGENCY 13]

MATT BLOMSTEDT: And it might be. [AGENCY 13]

SENATOR STINNER: ...all of this. [AGENCY 13]

MATT BLOMSTEDT: No, it's a great point. It's something that I always look at. And I think also, in working with the ESUs and others, I'm trying to expand capacity for those programs. What we were looking at was how do you really continue to support the Step Up to Quality piece of that? So if you want to ensure that they have quality programs as well, how do we go about doing that? [AGENCY 13]

SENATOR STINNER: Now I might be confusing programs and maybe this is just an overlay,... [AGENCY 13]

MATT BLOMSTEDT: We probably...we probably both are, but we won't tell anyone beyond this room. [AGENCY 13]

SENATOR STINNER: ...but I've got an Early Childhood Educational Endowment Cash Fund, right? [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR STINNER: And we get the interest and earnings off of that from investments. We have a certain amount of expenditures but we've built that fund from \$1.9 million in 2012. We're at \$4.5 million and our expenses are like almost \$300,000 but we're getting \$1.1 million. What's our plan? We going to spend this money or...? [AGENCY 13]

MATT BLOMSTEDT: So I can probably... [AGENCY 13]

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SENATOR STINNER: This is kind of the Sixpence Program, but it also... [AGENCY 13]

MATT BLOMSTEDT: Yeah, it's Sixpence and other things. So in that... [AGENCY 13]

SENATOR STINNER: Can I repurpose something into this and push these two together, because obviously we're not using the money here? [AGENCY 13]

MATT BLOMSTEDT: Well, I mean I think the approach with that one was it was dedicated with what the private money was supposed to be dedicated for. And I'm probably not a great expert. So they pin that down relative to those particular uses, as I understand it. [AGENCY 13]

SENATOR STINNER: We got...I just want...I mean the \$4.5 million sitting there... [AGENCY 13]

MATT BLOMSTEDT: I can tell you're a former banker. (Laugh) [AGENCY 13]

SENATOR STINNER: ...and you're not using it. [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR STINNER: Well, if that was the purpose, if we're supposed to have a Sixpence Program, if we're supposed to be working on quality education,... [AGENCY 13]

MATT BLOMSTEDT: Uh-huh. [AGENCY 13]

SENATOR STINNER: ...child education, we have resources here. Are we using them appropriately? [AGENCY 13]

MATT BLOMSTEDT: And how can we think about that. [AGENCY 13]

SENATOR STINNER: Can we do this more efficiently? I'm in a budget crunch right now and I'm looking for every dime I can get and so do I use some of this, mix in some of that? That's for

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me to decide...or the committee to decide. Excuse me. The last thing I do want to ask, and I apologize for asking too many questions, this is the million dollars laying around, School District Reorganization Fund. Any use for that? [AGENCY 13]

MATT BLOMSTEDT: Do we have currently...so statute apparently has to be changed to use that. [AGENCY 13]

SENATOR STINNER: I know I have to change a statute. [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR STINNER: But you haven't earmarked it for anything or...? [AGENCY 13]

MATT BLOMSTEDT: We can't other than what was told for the purpose, so. [AGENCY 13]

SENATOR STINNER: Okay. [AGENCY 13]

AUDIENCE: (Inaudible)...not allowed to use this money (inaudible). [AGENCY 13]

MATT BLOMSTEDT: Okay. So... [AGENCY 13]

SENATOR STINNER: You don't see many school district reorganizing or wanting to reorganize? [AGENCY 13]

MATT BLOMSTEDT: There are some that are reorganizing but they don't qualify necessarily for the funds based on the... [AGENCY 13]

SENATOR STINNER: I see. [AGENCY 13]

MATT BLOMSTEDT: So we could go through a process where we looked at that and would have to change statute on what the criteria was or you could decide. [AGENCY 13]

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SENATOR STINNER: Does the statute sunset at some point in time? [AGENCY 13]

MATT BLOMSTEDT: That I don't know. [AGENCY 13]

MAN FROM AUDIENCE: There's certain years that they can qualify. [AGENCY 13]

MATT BLOMSTEDT: There's certain years they can qualify, is what I heard. Yeah. [AGENCY 13]

SENATOR STINNER: Okay. Thank you. Senator Bolz. [AGENCY 13]

SENATOR BOLZ: Just a quick follow-up, and if there's someone else you want to (inaudible) that's fine. But there are certain parameters around the use of the Sixpence dollars around local contributions and then we're starting programs and then they need to be able to have a sustainability plan. And so I guess my question is can you talk to me about the intersection between the interest and the demand for early education and how that connects to school funding and the availability of funding, especially for is it .6 that goes to the youngest students... [AGENCY 13]

MATT BLOMSTEDT: Within the aid formula (inaudible). [AGENCY 13]

SENATOR BOLZ: ...within the aid formula spent... [AGENCY 13]

MATT BLOMSTEDT: So we're kind of mixing together a few different conversations. [AGENCY 13]

SENATOR BOLZ: Yeah. [AGENCY 13]

MATT BLOMSTEDT: So the Sixpence portion of that with community programs and otherwise, and again I could have our staff come brief you a little more specifically, but the requirements that are on the Sixpence funds, I mean that was the agreement at the time that was set up, that is really with the notion of trying to ensure that we have community-based programs being built

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out in a lot of different communities. So it does kind of depend on the demands and where they're happening and whether or not that they can organize the local funds in order to carry that out. So I think we have demands in some cases where we might have Sixpence funds, but we might not have a community sufficiently organized to provide that service yet. [AGENCY 13]

SENATOR BOLZ: Uh-huh. [AGENCY 13]

MATT BLOMSTEDT: On the other side, in the early childhood, the three- and four-year-old programs that are tied to the school specifically, that's how those...the recognition within the aid formula was there and we used what I would call a gateway grant program that schools couldn't start a program until they were given a grant, and then they entered into that. And the concept was that if they had other types of Head Start or other types of early childhood programs, that they would have to actually collaborate and bring that together. And that became kind of the gateway process to ensure that they had had that local conversation, at least I think that was the theory at the time anyway, so. [AGENCY 13]

SENATOR BOLZ: Yeah. And I don't mean to get too much into the weeds on the microphone but, you know, I think the expenditure is related to the complexities of early childhood funding that is related to the capacity of local communities to afford school programs, whether that be early education or what they would like to do in their K through 12 programs as well as the sustainability pieces in terms of ability to make that transition into the school formula. And so talking about utilization of Sixpence dollars is talking about our commitment, both on a local level and on the state level, to early childhood and K through 12 as a whole, and it gets tricky. [AGENCY 13]

MATT BLOMSTEDT: Yeah. [AGENCY 13]

SENATOR BOLZ: Thank you. [AGENCY 13]

MATT BLOMSTEDT: I think that's a good summary, so. [AGENCY 13]

SENATOR STINNER: Additional questions? Seeing none, thank you. [AGENCY 13]

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MATT BLOMSTEDT: All right. Thanks as always. [AGENCY 13]

SENATOR STINNER: Additional proponents. Good afternoon. [AGENCY 13]

JON HABBEN: (Exhibit 1) Good afternoon, Senator Stinner, members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, director of Nebraska Rural Community Schools Association. First, I may trip into some things that look like Revenue and look like Education Committee, but I'm trying to stay focused here. When all of the, shall we say, bad news about the state's budget deficits came out, I think it's safe to say that schools all over the state, particularly equalized schools, began the sweating bullets phase: What's going to happen? Where are we going to end up? First of all, I'm really pleased that we've ended up, at least for the time being, where we are. Maybe it's zero, maybe it's a slight growth. But we all know that, given the pressures that you face to deal with those budget shortfalls, it could have been worse. And it may get worse. We hope not. But one of the concerns that I wanted to bring you regarding the funding of TEEOSA, I have a tremendous concern as we go forward about this. When you take a look at where the money has come from to grow TEEOSA, you have to take a look at all of those rural school districts who lost TEEOSA equalization funds. That money helped fund, in a very significant way, the growth of TEEOSA for equalized districts. My concern that I wanted to express to you, in the midst of thanking you for hopefully holding this ship steady, is what happens when there's no more losses of TEEOSA in rural because there isn't anymore TEEOSA in rural? And the only reason I bring that up is because it's becoming a reality. If you take the rural B and C and D schools, they receive about 11 percent of TEEOSA. That has been shrinking and shrinking and shrinking so there's not much left. If ag land values continue to go up or needs continue to decline, there's not much left there. So in order to fund what is going to be an increasing need for TEEOSA in districts that are equalized, where does the money come from? And that may be a Revenue question. Sorry about that if it is. But it's the kind of worry about the funding of TEEOSA that we...I think we have to pay attention to. It would be easy to say thanks, looks like the ship is steady, let's get out of here and hope for a better day. But then the next year comes and the next year comes, and you're faced with the same type of issues, those difficulties of how do we fit TEEOSA among all these other things, how do we fit these things into this box that is what we've decided to spend, what we've decided to ask for? Huge concern that TEEOSA is going to end up facing significant underfunding, especially if we begin to work on the concept

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that TEEOSA needs to change to reach all students across the state in the face of the calls for reducing property taxes and all of those Revenue issues that go with it. Again, thank you very much for hanging in there with TEEOSA. It's not the growth that maybe was predicted in the calculation, but it's at least holding steady, at least some growth. It's a light down that tunnel. And I appreciate that. All schools, I think, appreciate that. But I did want to express that concern that there's a large contributor to the total TEEOSA that pretty soon isn't going to be losing money because there's not much there. So I'll close with that. [AGENCY 13]

SENATOR STINNER: Questions? Seeing none, thank you. [AGENCY 13]

JON HABBEN: Thank you. [AGENCY 13]

SENATOR BOLZ: Good afternoon. [AGENCY 13]

LINDA RICHARDS: (Exhibits 2 and 3) And then they left. (Laughter) Good afternoon, Chairman Stinner, members of the Appropriations Committee. My name is Linda, L-i-n-d-a, Richards, R-i-c-h-a-r-d-s. I am the president of the Nebraska Association of School Boards and appear on behalf of the association's membership today for the purposes of providing testimony regarding the appropriation of funding to the Department of Education and school districts in Nebraska. I'm torn. I sat here for a few minutes trying to figure out which seat I need to be in. That's difficult this year because I am here as a proponent and want to be here to support NDE's budget and the requests that they have made and the work that you have done as a committee, but it's still not far enough and it still hasn't done yet enough of what needs to be done. For the past 20 years, I have served as my local community...have served my local community of Ralston as a board of education member, and during that time I've testified on this issue of funding many, many times. Today I'm testifying on behalf of 1,724 individual school board members across this state whose voice of concern about this issue needs to be expressed again this session. Our association in the past 18 months has developed a vision for our membership after spending time discussing the recurring concerns of adequate funding for public education. Year after year the conversation and ultimately the debate centers around the cost of education. As school board members, we are seeking funding that reflects a vision for the future of education. Quite honestly, Senators, we're tired of the constant debate about why we fund public education, how

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much it costs, and placing the emphasis on the education of our students in this state as though it's a burden. It's not. The burden, as you can see in the handout that I've given you, is the task that is ahead of you, and we recognize that. It's in the percentage of the state budget that is going towards Corrections, Medicaid, child welfare issues in relation to what we're spending in the last 20 years on TEEOSA, on colleges, and in special education. The next page is a staggering statistic and we're living it and seeing things here in the last few weeks in the news with regard to the growth in our prison population and the pressures that we see in that area. I don't envy you. I'm sorry that for you this task is before you, but you're called to this leadership now at this time to have this conversation and we're counting on you. Seventeen hundred and twenty-four school board members across this state need your leadership in helping us to continue down a path that is productive. Instead of a pipeline to prison, we'd like to see it be a pipeline to college and career readiness in our communities. The future for public education in Nebraska involves school districts addressing key areas that we all agree impact the ability for students to learn, make progress, and succeed in school. Early childhood, child nutrition, mental and behavioral health, college and career readiness were all identified as common areas, regardless of where we live and serve in our communities. It's staggering. In 20 years of serving as a school board member, I have never experienced what I did this past year with my colleagues. Seventeen hundred and twenty-four school board members across the state, from Valentine to Omaha, in agreement saying that youth and children and employment in our youth and children is a priority. The whole child with regard to behavioral health, mental health, nutrition, these are the priorities we collectively see are important. Will this budget appropriation help us accomplish those tasks that we know we have to accomplish in order for Nebraska to be and meet its needs and be the state that we challenge ourselves to be? The challenges that we face as a state are real, and we recognize that. These challenges cannot be seen only as costs. They must be seen as opportunities to change the direction we are headed. As school board members, we are dedicated to addressing the needs of our students, all students. Those needs have changed over the years and so, too, must the approach to addressing educating our students. We are dedicated to working with the Nebraska Legislature, with this committee in the appropriations process, in the Revenue Committee in revenue process to reduce costs where we can. But we ask you to change the conversation and debate by investing in public education. The budget presented for state aid to schools needs fully funded. The need has been defined and it grows each and every year. Please do not use the budget shortfall as an excuse to slash funding for schools. Please choose to

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use this as an opportunity to ask questions about where priorities should be in the investment for public education, and change the conversation and debate and ultimately the direction that we are headed. We're here to have that tough conversation about where the priorities should be. We have data. We have research. We have information, as our Commissioner of Education shared with you. We can reestablish where priorities need to be. Please do not let this conversation just be about the bottom line and the dollar. Please engage in conversation with your school board members in our communities to talk about where the priorities needs to be. I challenge you to do that. I respect you for the leadership that you have expressed in this appropriations process to date and look forward to working with you. I'd answer any questions that you have at this time.  
[AGENCY 13]

SENATOR BOLZ: Thank you. Any questions of committee members? Go ahead. [AGENCY 13]

SENATOR WISHART: Linda,... [AGENCY 13]

LINDA RICHARDS: Yes, Senator. [AGENCY 13]

SENATOR WISHART: ...thank you so much for your long service in behalf of the students of the state. And thank you for being here today. I appreciate you handing out this graph to us of the change over 20 years in percentage of our state budget and how we've seen a reduction in the spending in terms of the percentage of our state budget in TEEOSA, postsecondary institutions, special education. And we've seen an increase in Corrections, Medicaid, and child welfare costs.  
[AGENCY 13]

LINDA RICHARDS: Correct. [AGENCY 13]

SENATOR WISHART: Is your organization looking to be able to articulate that if we increase investments in TEEOSA, postsecondary education, and special education that we will be able to see a reduction in the future in the other expenses in Corrections, Medicaid, and child welfare?  
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LINDA RICHARDS: We believe there's a direct correlation to that, Senator, and I think that some of the areas that we've been addressing--extended learning opportunities, as some of the testimony you heard here today; early childhood--these areas, return on investment is clear. There are longitudinal studies that look at the dollars that are spent in early childhood having a direct correlation and impact to not only some of the bills that we're hearing across the hall regarding reading and proficiency in reading and whether or not students can advance and when they should advance and what are the impacts on that. We know that early childhood education has an impact. We also know that it costs money to deliver early childhood education. And so we have worked. I can speak specifically about my district, Ralston. When we had to make reductions a few years back when we had another downturn economically, we had a choice. We had \$1.2 million that we needed to remove. We could have taken the \$200,000 that we spent in early childhood in Ralston and eliminated early childhood and saved \$200,000 immediately. We made a decision as a board of education that it was a priority because we know the ties to and the long-term impact that we would be executing if we gave up on the early childhood initiative. It's cutting your nose off to spite your face. [AGENCY 13]

SENATOR WISHART: Uh-huh. Thank you. [AGENCY 13]

SENATOR HILKEMANN: Have we reached about as...you deal with...you're representing the school boards. Have we reached about as efficiently as we can with consolidation of the schools? [AGENCY 13]

LINDA RICHARDS: I would tell you I think that, as I heard from NDE here earlier, there are some that are still in process. There are some reorganizations that are happening. I think there will be opportunities as we move forward just looking at abilities for districts to maybe join programs, maybe not complete districts, Senator. I know there's some very creative collaborations happening with regard to career academies across the state where districts are pooling resources together. They are not necessarily leaving their districts. They're joining to do these initiatives together. I see that growing. And as a matter of fact, in our next board of directors' meeting we are going to be talking specifically about that and looking at opportunities that other districts have been doing so that we can educate our broader populace of 1,724 school board members. [AGENCY 13]

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SENATOR HILKEMANN: Because we have a huge range in our per-pupil cost across this state.  
[AGENCY 13]

LINDA RICHARDS: Correct. Correct. And we will continue and in years past we had things inside the formula that would address: sparse, very sparse. We had different things that we attempted to address those costs. The reality is we're rural. We have a segment of our state that will not have population centers like we have here in Omaha and Lincoln or in Kearney. There will be districts that, just on sheer amount of space, land mass, that will need to exist. [AGENCY 13]

SENATOR HILKEMANN: It's my understanding I think, what, 55 percent of the superintendents superintend 10 percent of the population, student population in this state.  
[AGENCY 13]

LINDA RICHARDS: That would be a great question for NCSA. I'm not positive on what that percentage is. [AGENCY 13]

SENATOR HILKEMANN: That's one of the statistics I've seen on that, so. [AGENCY 13]

LINDA RICHARDS: Sure. Okay. [AGENCY 13]

SENATOR BOLZ: I do have one question for you, Ms. Richards. [AGENCY 13]

LINDA RICHARDS: Yes, Senator. [AGENCY 13]

SENATOR BOLZ: You know you talked about it being about more than trend lines and more than data and statistics. My school district, Lincoln Public Schools, helps me think about it this way, that the difference in 1 percent of TEEOSA funding is 26 teachers,... [AGENCY 13]

LINDA RICHARDS: Correct. [AGENCY 13]

SENATOR BOLZ: ...which results in increased class size. [AGENCY 13]

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LINDA RICHARDS: Right. [AGENCY 13]

SENATOR BOLZ: So speaking on behalf of the Nebraska Association of School Boards, can you talk to me about some of the other either sacrifices that you're making under the current formula or some of the choices you would have to make if you had the preliminary budget and what you might be able to achieve under some different options with TEEOSA funding?  
[AGENCY 13]

LINDA RICHARDS: I think that right now districts are just trying to, as Mr. Habben said, hold on. I think we're trying to do the work that we've currently been, through rules and regulations, are obligated to do. So Rule 10 prescribes a lot of the work that we do and tells us how many teachers per students for offerings that we have. So we have some rules and we have some regs that we have to follow and so we will do that. I think what will happen underneath this budget is you will have districts that will have to make a decision on whether they will make that career academy move, whether they will do some of those offerings that they've been planning to do or moving in the progression towards. Maybe there will be less AP class offerings, because those are expensive. Remember that we have teachers that have to have master degrees in those core areas. And so if we're going to do dual-enrollment courses and make those offerings, there's a certain requirement of the type of teacher that's in front of that classroom. Well, that is by nature, and understandably so, a costlier...there's a cost to that, to have that more-experienced teacher in that role. And so you can see and likely will see districts make choices in those areas of AP and dual-enrollment offerings and their hirings. Understand that earlier with the prior budget that was adopted, the amended, and the time line that was pushed to June, we're already at a point where we're having a conversation in districts about staffing because a lot of our staffing decisions have to be made sooner than we're going to know what our dollars are, and that's by law. That's by statute. Those aren't decisions like businesses in our communities make. They are by statute. They regulate when we have to have those notices. So I think where we can make those changes we're really limited and so they'll have to be closer to the classroom that those decisions and those reductions will happen. So larger class sizes, offerings will change I would suspect, or things will go unoffered that maybe would have been looked at as far as the direction of career ed or early childhood. [AGENCY 13]

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SENATOR BOLZ: Thank you. [AGENCY 13]

LINDA RICHARDS: You're welcome. [AGENCY 13]

SENATOR STINNER: Any additional questions? Seeing none, thank you. [AGENCY 13]

LINDA RICHARDS: Thank you, Senators. [AGENCY 13]

SENATOR STINNER: Afternoon and welcome. [AGENCY 13]

NOLAN BEYER: (Exhibit 4) Good afternoon, Senator Stinner and the Appropriations Committee members. My name is Nolan Beyer, N-o-l-a-n B-e-y-e-r. I'm here today representing Millard Public Schools. I would like to thank this committee for their support of K-12 education. I certainly understand the difficult financial situation we are in as a state and I certainly understand the large task that all of you are tasked to do and the challenges that come with that. Along with testimony we have provided in the Revenue Committee, we hope we can examine ways to address the budget issues without further defunding our educational system in the state of Nebraska. We fear educational...we fear additional reductions will cost some of the best public schools in the nation to erode. Nebraska has excellent public schools and we should be proud of them. We should also protect the investment we have made in our children. The Millard Public Schools provides a quality education to just under 24,000 Pre-K through 12th grade students. Since 2010 our expenses in our district have only increased an average of 1.1 percent per year. We work hard to control our spending. Since 2010, however, due in part to changes in the TEEOSA formula, our revenue has only grown an average of 0.9 percent a year. We have added more than 1,200 students but we have decreased 41 teaching positions and 3 administrative positions over this same time while adding the 1,200 students. We can no longer keep our reductions from impacting programs, classrooms, and individual students. Even before the currently proposed budget reductions, we have already had to make the following cuts in order to balance our budget in the past couple years: middle-level alternative program, a program which supported at-risk students in our middle schools, was terminated; we've had to increase class sizes; high school world language, reducing language options for our students in our high schools; Title and ELL support; we've had to eliminate an administrative position overseeing

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federal programs and providing support for students and families that live in poverty; elementary instrumental music reconfiguration; we've had to reduce bus routes to the alternative high school; reduce professional development sub day; culinary arts career academy, we eliminated this program that led to career readiness for many of our students in the district; paraprofessional support has been reduced; district curriculum teacher leader positions reduced instructional and intervention support for students; and our curriculum adoption budget really has led to limiting our ability to maintain our current curriculum and keep it up to date. Further cuts, Senator Bolz, as you asked Linda, would likely further increase class sizes. It would reduce our high school course offerings. We would be forced, likely, to change from a middle school level philosophy to a junior high school schedule which results in less student support. We'd reduce elementary math and reading intervention positions, resulting in less support for students who struggle academically. And continue the reduction of the building fund, further hampering our ability to maintain our facilities in the years to come. We are at a point where the cuts are impacting the core of our identity and our educational programs. We are the third lowest spending district per student in the state of Nebraska. We keep our expenses low. We are not asking for a windfall from the state--we know this windfall is not available--or are we asking for a windfall from our property owners. If this were the first year that we were being asked to reduce our budget we may be able to withstand the proposed reduction in the TEEOSA funding, but this is a continuation of the reductions we have been experiencing in recent years which we fear are leading to the erosion of our quality education program. We would also ask you to consider the amount that you put in the budget for special education funding also, as that cuts at the core of many students in our most need. So thank you and I would be willing to answer or attempt to answer any questions. [AGENCY 13]

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

SENATOR WISHART: Nolan, thank you so much for being here today. When you and your team have talked in terms of the TEEOSA formula, is there a percent increase that you've talked about, would allow you to get by and not make as severe of cuts? [AGENCY 13]

NOLAN BEYER: Certainly any addition from what is in the proposed budget would allow us to keep from cutting deeply, but we're really in a situation where we're probably going to continue

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to be in a cut budget. We began to prepare next year's budget based on 2.7 (percent) just because that was a number that was potentially out there. Everything that we have set in place, when we talk about keeping our expenses to 1.1 percent a year since 2010, just to give an example of that, we have to obviously remain competitive with what we pay our teachers. Our packages since 2010 have come in at...total package, not salary, with insurance increases and all those, have come in at 3 percent or less when we negotiate. So when you take 75 to 80 percent of your entire expenses, in our district, our entire budget is \$225 million, 75 to 80 percent of that is personnel. So if, let's just say, you give a 2.8 percent increase package and we've kept our expenditures to 1.1 (percent), those are programs and people that have to go away, not paper and pencils and those types of things. So I think we would be in a continued budget. For us to sit here, sure, I would encourage all of you to fully fund the TEEOSA model. Realistically, does anybody realize that in today's budget times and the challenges that you face, we certainly don't believe that is possible. We would encourage us to get back as close as we could to the 2.7 (percent) level where some of us began to build our budgets around. [AGENCY 13]

SENATOR WISHART: Thank you. [AGENCY 13]

SENATOR STINNER: Additional questions? Senator Bolz. [AGENCY 13]

SENATOR BOLZ: Tell me about your testimony in front of the Revenue Committee. [AGENCY 13]

NOLAN BEYER: Yes, we testified last week. Not very...Dr. Jim Sutfin, our superintendent, testified as a proponent to a couple bills, not very popular in today's climate, that would have, one, would allow school districts to additional...would allow school districts to levy an additional cent for safety and security expenses that would be outside of the \$1.05 limit. The same bill would also allow school districts to level an additional cent outside the levy limit for technology expenses. As technology continues to grow, infrastructure is only part of that. Maintaining that infrastructure and updating technology from year to year continues to be an expense that's overwhelming to some of us. The second budget that we testified in favor of...or bill was to allow certain school districts that control their spending and have shown past history of doing so to levy 3 cents outside of the limit of \$1.05 right now, along with encouraging the Revenue

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Committee to look at ways to expand the tax base, to increase the revenue sources for education as well as all the other programs that you guys are required to fund. I'm not going to say they're overly...we're not holding out a lot of hope, I guess would say, for those types of pieces.

[AGENCY 13]

SENATOR STINNER: Additional questions? Seeing none, thank you. [AGENCY 13]

NOLAN BEYER: Thank you, Senators. [AGENCY 13]

SENATOR STINNER: Afternoon and welcome. [AGENCY 13]

VIRGIL HARDEN: (Exhibit 5) Good afternoon, Senator Stinner, members of the committee. My name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n. I'm here representing Grand Island Public Schools and the Greater Nebraska Schools Association. Grand Island Public Schools understands the current financial situation that the state of Nebraska finds itself in with the projected budget shortfall over the next biennium budget cycle. Regardless, I am here to ask you today to support an appropriation to the highest level possible for TEEOSA, special education, and all other state of Nebraska support for all Nebraska school districts. Grand Island Public Schools is the sixth largest school district in the state by student enrollment. But outside of metro Omaha and Lincoln, we are the third largest user of TEEOSA. In fact, Grand Island Public Schools depends so heavily upon all forms of state support that during the '16-17 school year 60 cents of every \$1 that we spent can be tied back to state support. This high level of dependence on state resources is due to the needs of our student body reflected, in part, by the following facts: Grand Island Public Schools' student body represents 22 different foreign languages, 68 percent of our student body qualifies for free- or reduced-price meals, 55 percent of our student body qualifies for free-priced meals, and we have several elementary schools that have over 90 percent of our entire student body in that building that qualify for free- or reduced-price meals. To deal with these needs, Grand Island Public Schools operates over 32 different strategies or special programs, and there's a listing attached, and we do this to try to make sure that our motto of "Every Student Every Day a Success" is not just an empty slogan. Every one of these programs will need to be reevaluated and some possibly defunded if state resources are not available. Additionally, we cannot ask any more from our local patrons who already pay a levy at

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the maximum allowed. And, in addition, our patrons passed a \$69.9 million bond issue in September of 2014 for seven facility projects with zero support from the state of Nebraska. Finally, our student body continues to grow on average at a rate of 100 to 150 pupils per year with ever-increasing needs for special education, poverty, English as a second language, and mental health issues. All of these programs are designed to help some of Nebraska's most neediest children and these programs are at risk of going away without the necessary funding. And before I finish, I do want to take a moment to thank you for your service to all children in Nebraska. I know you have a tough task at hand. I know it all too well because I have to say no to a lot of things too. So I do appreciate your service. And with that, I will conclude my comments. [AGENCY 13]

SENATOR STINNER: Questions? Seeing none, thank you. [AGENCY 13]

VIRGIL HARDEN: Thank you. [AGENCY 13]

SENATOR STINNER: Good afternoon and welcome. [AGENCY 13]

LIZ STANDISH: (Exhibit 6) Good afternoon. My name is Liz Standish, spelled S-t-a-n-d-i-s-h. I serve in Lincoln Public Schools as the associate superintendent for business affairs and I'm here today just to talk to you a little bit from the lens of a school district that's growing so very rapidly. We are growing by 850 to 1,000 students a year. In the past ten years, we've experienced a 24 percent increase in student population. I do need to have a sidebar here because I think whenever Lincoln comes to the table and says that everyone says, well, that's because rural Nebraska is moving to Lincoln. And we ask our registrars every year to record where families are coming from. This past year we had 35 states represented and many, many countries. So there is a quality of life here in Nebraska that people are moving to. Growing Nebraska is a major issue in front of our state and our public schools serve that and we're really experiencing it in Lincoln. I have new neighbors from Texas and all over the country who have moved to Nebraska and I think that's a good thing when we talk about growing our state. However, in a school district, managing that growth does take resources. And so any cuts in resources to the growth--I mean, our budget will grow--I am not in a situation where I would possibly be proposing a reduction budget because we are having the growth in our community, but keeping

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pace with the growth is very challenging. And if we're not able to keep pace with the growth, our class sizes will erode. They will go up and that quality experience that's drawing people to Nebraska will be limited. In addition, we now have people making tough choices in our staffing process, which has already started, which you've heard today. There are staffing conferences probably still going right now where people are talking about my academic interventionist or my school counselor, because myself, as the one who's fiscally responsible to the Board of Education, has been very limited in the resources that I've deployed to that process for growth. So knowing that your mind-set is looking at a 2.1 percent growth in your preliminary budget, part of that growth is supporting the growth of a healthy school system. In addition, we have mental health needs that our board is trying to address. They put in a phased plan based on when we think we can phase in having a counselor in every elementary school--we currently do not have a counselor in elementary school in Lincoln, maybe not even half of them--and that would curtail progress on those efforts. I'd like to speak briefly. we opened a new school last year, the previous year, and we'll open a new school this year, so that's also part of the growth that you see in the formula for Lincoln. Lastly, I'd like to conclude with touching on special education. This is something we chart in spreadsheets every year and this past year we experienced a 55 percent reimbursement rate. Twenty years ago that was 75 percent. So that's an example of a situation where resources are being drawn from TEEOSA and the General Fund appropriation method to fund special education. And I'll conclude my comments with that and just thank you. We understand you're in a tough budget process. We understand there's two sides of this equation. Interestingly, the seat that I sit in, I manage two sides as well. I have a director on the finance side who manages revenue, and I have a director on the budget side who really manages appropriations. And so we're constantly trying to strike that balance as a school district on a much smaller scale. So I have a tremendous amount of respect for the work that's in front of you this session. [AGENCY 13]

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

SENATOR HILKEMANN: You say you're growing 850 to 1,000. What's the total number of student population in Lincoln Public Schools? [AGENCY 13]

LIZ STANDISH: Just short of 41,000, so 40,935. [AGENCY 13]

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SENATOR HILKEMANN: Thank you. [AGENCY 13]

SENATOR STINNER: Any additional questions? Seeing none, thank you. Afternoon.  
[AGENCY 13]

ANDREW MONSON: (Exhibit 7) Good afternoon. Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Andrew Monson, A-n-d-r-e-w M-o-n-s-o-n, and I'm here on behalf of First Five Nebraska, and I really appreciate the opportunity to speak with you for a few minutes this afternoon. First Five Nebraska works to ensure that more of our state's youngest children start off with the kinds of early developmental experiences that will prepare them to enter the K-12 system ready to learn and thrive. Our efforts focus specifically on narrowing the early achievement gap that threatens the academic success and life-long trajectories of nearly 65,000 Nebraska children at risk between birth and age five. We use neuroscientific and economic data to inform public policies that not only promote school readiness but offer the level of quality and fiscal accountability that taxpayers should expect for the dollars they commit to the early development of our youngest Nebraskans. This afternoon we've heard quite a bit, taken a very broad look at our state's educational landscape and some of the complex challenges of maintaining the standards of excellence at our public schools, including how we can optimize the dollars we invest in educating our young citizens and future workers while staying within severe budgetary constraints that cut across every public system in our state. I'd just like to take a few additional minutes of your time to reflect on how targeted investment in young children, especially those facing early developmental risks, can increase the efficiency of our education system, strengthen the work force, and advance the long-term prosperity and quality of life of all Nebraskans in the decades ahead. Neuroscientists, education professionals, business leaders, and economists understand the first five years of life are critical to children's lifelong trajectories. During this time and especially in the first three years, children build the core "neuroarchitecture" that supports all future learning, skill formation, and achievement. Consistently stimulating and supportive early life experiences create the robust "neurocircuitry" necessary for an expanding array of skills, competencies, and behaviors essential to success in school and society. Data indicates that 41 percent of Nebraska's children between birth and age five begin their lives in circumstances that can lead to suboptimal brain development, lower language and communication skills, lower critical reasoning and judgment

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skills, and a reduced level of social competency. And I have distributed a series of maps to each member of the committee. You'll see there are two maps, one on each side. One shows the concentration of these at-risk children zero to five throughout the state. Then there's actually an individual map for the individual district of each member of the committee. Children who lack consistent, high-quality early experiences are known to show some serious developmental disparities by 18 months of age or even earlier. By the time they arrive at kindergarten, they are already well behind their peers and are likely to remain behind throughout their time in the K-12 system. And all too often Nebraska taxpayers must absorb the cost of special education and behavioral health services to mitigate problems that are likely to persist even with the benefit of school-age interventions. Further, low-levels of academic achievement and executive function skills, that is, the ability to control impulses, retain and interpret information, and adapt to changing circumstances or expectations, are known predictors of risky and unhealthy behaviors that may lead to problems, such as substance abuse, dependency on public assistance, and participation in the criminal justice system. Strategic interventions focused on children's healthy early development are much less costly and much more effective than efforts to correct serious cognitive, social, and emotional problems later in life. Naturally, we acknowledge that...we acknowledge the challenge that Nebraska's legislators face in setting a balanced, fiscally responsible budget in our current economic climate. We greatly appreciate the good judgment and strategic vision that our legislators have already shown in the preliminary budget by preserving investments in the Early Childhood Grant Program serving four-year-olds, Sixpence, Step Up to Quality, and other early care and education initiatives. We particularly commend Chairman Stinner for his insight and leadership on this issue and greatly value our ongoing work with him to engage school administrators in discussions about their district's early childhood education needs. Simply put, dollar for dollar there are few public or private investments that produce the kind of individual, social, and economic returns offered by a commitment to quality early childhood experiences targeted at our youngest, most vulnerable Nebraskans. Recent research by Nobel prize winning economist James J. Heckman calculates a return of \$13 for each \$1 committed to high-quality birth to age five development opportunities for children at risk. Focusing our attention upstream in this way increases the efficiency of our public education dollars, strengthens the state's talent pipeline, truer savings to overburdened public systems, and drives continuous economic growth. It is worth remembering that we will hold these children responsible for growing cohesive, vibrant families and communities and enhancing the quality of

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life of all Nebraskans in the decades ahead. They are well-worth the investment. Thank you very much for your time and attention to an issue of the greatest importance to our state's future. I'll be happy to answer any questions the committee may have. [AGENCY 13]

SENATOR STINNER: There any questions? Seeing none, thank you. [AGENCY 13]

ANDREW MONSON: Thank you. [AGENCY 13]

DAVID LUDWIG: (Exhibit 8) Good afternoon, Senator... [AGENCY 13]

SENATOR STINNER: Afternoon. [AGENCY 13]

DAVID LUDWIG: ...and committee. I appreciate the opportunity of being here. I'm David Ludwig, D-a-v-i-d L-u-d-w-i-g, and I'm the executive director for the ESU Coordinating Council. I've been in this position for the past three years. Prior to this I was an ESU 2 administrator in Fremont for four years. My focus today is on core services or core funding. That's our part of the budget that goes through the NDE budget as well. First and foremost, I just want to let you know that our focused legislative goals the past several years has been communication and awareness. We haven't been asking for anything. That was the message I keep sending around. We're not asking for anything at the present time other than a level of understanding of the work we do, what we do, and the collaborative efforts that we're working with NDE and others to serve the students, staff, and the school districts that we have within the state. So for the past several years we've been doing more with less. What concerns me is that "less" is becoming more of a concern. And I know Matt talked about...Commissioner Blomstedt talked about the strategic plan which we're working with and my concern is the more...the less increases the more difficult it's going to be as time passes to move from a reactive process to more of a proactive environment which involves strategic learning...or strategic planning. In regards to our core funding, as I indicated in my written document, back...going back to year 2011 and '12, we took a 5 percent reduction in core services funds, which is just under \$14 million at the present time for all the ESUs. And since that time we've been at a zero percent growth for each...for the equivalent of three different biennial periods to include this one. So again we're not asking for anything but, again, an understanding of where we've been and the

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collaborative efforts that we're using...we're doing with NDE to best serve our districts. In regard to the Coordinating Council, of those appropriations 2 percent goes to help support the services that we provide within the Coordinating Council. Keep in mind the Coordinating Council is comprised of all 17 ESUs. But how do we best meet the needs of core services within the council? Again, this goes back to the reduction we took in 2011 and '12 and then with the zero percent growth factor since then. So again, we know and understand the financial climate we're in. We want to be a part of that solution as well. Our vision for the Coordinating Council is defined in 79-1246 which specifies our need to be focused on efficiency, effectiveness, and equitable delivery of services, and that's our means of support to assist the state. And within the task you guys have ahead of you within the biennial budget, how can we help be a solution to that? I know, Senator Bolz, you indicated earlier just what are some examples of some of the efficiencies we provide. I guess for us we had...one would be a Learning Object Repository that we...it's a digital bank of resources that we provide for the school districts within the state. The program that we put in place about six years ago was becoming so expensive, we had to pull away from the contract that we're in, and we're working with a company that we're currently in using Learn360 and they're providing that service for us at no extra cost. And we're also working with Amazon as well as a group from a consortium in the state of Illinois called the IlliniCloud that we've been working with for the past several years. With the IlliniCloud, you know, for instance, some of those efficiencies that we're able to get within the advisory...or the ADVISER Dashboard, we're trying to put together the single sign-on to help school districts better access that information in the ADVISER Dashboard. Because of the IlliniCloud, work that they were doing prior to us, they're about two years ahead of us. They needed some additional help so they spent about \$250,000 in research and development for single sign-on. Because of our agreement, they were able to give that code to us in exchange for some additional funding to help support what's called a portal system. I'm getting beyond some technical things here, but what that ended up doing, we benefited in Nebraska as far as helping school districts out with the ADVISER and, in turn, we helped them to further develop the research and development for the portal system, which again we're going to be able to benefit from as well. We have a student record system for special education. We had an independent contractor about three years ago, was roughly \$175,000 to a little over \$200,000 and we weren't getting the hours we needed from it. We were able to release that contract and then hire our own person for a significant dollar less. So Coop, statewide Coop that's been around for about 43 years, the past 2 years we've saved the state

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school districts and ESUs about \$8.9 million. And these are just some examples of what we do. ESU 3, for instance, they provide services like all the other ESUs do for network support. They provide support for \$90,000 devices a day and that's the equivalent to the size of Memorial Stadium on any given day for a football game. So what I'm telling you is, again, our goal has been communication and awareness. We're not asking for anything. We want to be a solution. Just understand where we've been and then where we're going and how can we help be part of that solution. At some point in time, not this biennial budget, but we might be coming to you guys just for some assistance with core services. But right now, how can we be a part of the solution? Sorry,... [AGENCY 13]

SENATOR STINNER: Thank you. [AGENCY 13]

DAVID LUDWIG: ...I went over time here, but if you have any questions. [AGENCY 13]

SENATOR STINNER: Questions? Questions? Okay, seeing none, thank you. [AGENCY 13]

DAVID LUDWIG: Thank you. [AGENCY 13]

LARRY SCHERER: (Exhibit 9) Good afternoon,... [AGENCY 13]

SENATOR STINNER: Afternoon. [AGENCY 13]

LARRY SCHERER: ...Chairman Stinner and members of the Appropriations Committee. My name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r. And as many of you, I ran for your office last year and I'm not too sorry today that I didn't make it. (Laugh) But what I want to do is present testimony on two things, one is TEEOSA funding and the other is the master teacher program. I represent the Nebraska State Education Association, a former employee of the Postsecondary Coordinating Commission and also the Legislature for many years, so perspective is pretty broad and deep on education. Mainly want to thank you, first of all, for holding the line at 2.1 percent. I'm sure when you look at the rest of the state budget, that seems fair. And as you know, the current system is set up with a goal of funding at the current level. And so the first item I'm sharing with you is a chart that looks like this, and you may have seen this before, probably tired

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of seeing it, but what it shows is what the funding level would have been if the law was not changed and then what it actually was after the law was changed or not changed. In three cases out of this ten-year period, the Legislature funded at the level that the current law said. If you look at what happened over time, we've hit other budget cycles over the years and we'll continue to hit those. And so in my mind the biggest problem we have is sort of a mismatch between our revenue capacity and the programs that are needed to be funded. And education constitutionally is one of the big ones. But if you look at the time, just in ten years \$772 million. If more would be into TEEOSA right now, \$1.7 billion instead of...billion. Excuse me. And so that's a huge amount. What that translates into is if you look at the next chart, the long 14-inch sheet, as you look at history and this is a 20-year period, and we could go back further than that, but '92-93 is the first year that the Department of Education has the annual finance report, school spending reported. Before that, you have to dig back into their paper files. So this looks at the history of school spending over a period of 20 years, and state spending. It also looks at and what this is intended to show is, you know, what happens if the state does not fund education at the level that...the target really is what schools need, and what schools need is measured by what they have spent, within certain parameters. So the bad news is that we are ending up the same place we were with the state funding about 28 percent of the cost of the schools in this last year, for which was a report for the department, and the property taxes portion is 53 percent. Obviously, there's federal money involved and so this isn't going to add up to 100 percent on this chart. And that's sort of where we started out in 1992-93. There were a few green years in the middle where we got up to a level that would have moved us out of the bottom. The little chart here is a census chart that just shows...you often hear that we're 49th and this is the data from census that shows us, why we're 49th. And it's ranked by that column there in the data. So the issue is really how do we keep up? How do we keep up? How do we make sure that when we hit these bumps in the road we're not into the situation that we continually fall into? And you know yesterday I was across the aisle talking about a School Finance Review Commission that Senator Kolowski introduced to look at ways that we can reinvent TEEOSA so that we don't have these continual shortages that you're in an impossible situation. The money isn't there to fully fund TEEOSA this year. And you shouldn't be put in that position. But we should have a method of funding schools and most states do. Iowa has a good system that's more or less even growth over a period of time so you don't get 12 percent one year and minus 2 percent the next year. So reliability, stability in funding and revenue sources is probably the biggest issue. I ask you if there's a potential to, you

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know, not go any further, please do that. The other issue is the master teacher program. There's two bills across the aisle in Education, one which would get rid of the program and one which would fund it with a lottery fund. Neither one of those have moved yet. The funding has been in the budget last year. As you know, the Governor pulled some money out in LB22 and for the rest of this year. There was money enough to finish the existing funding for that left. So we ask you to take a look at that, be cognizant of what's happening with the Education Committee. And please include some money to keep the funding program going in this interim. So thank you very much and appreciate your diligence in staying this long. I know it's...by this time of day you just want to get out of here. [AGENCY 13]

SENATOR STINNER: Any questions? [AGENCY 13]

LARRY SCHERER: Any questions? I thank you for your work and be glad to meet with any of you to talk about numbers at any time. This last little thing is an article from The Voice that we put out and it really looks at the history of growth and looks at some individual school districts if you want to look at. But the problem is the funding system isn't really working very well. [AGENCY 13]

SENATOR STINNER: Questions? Seeing none, thank you. [AGENCY 13]

LARRY SCHERER: Thank you very much. [AGENCY 13]

SENATOR WISHART: Thanks, Larry. [AGENCY 13]

SENATOR STINNER: Any additional proponents? Any opponents? Anyone...seeing none, anyone in the neutral capacity? Good afternoon. [AGENCY 13]

RENEE FRY: (Exhibits 10 and 11) Good afternoon, Chairman Stinner, members of the Appropriations Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. My testimony today will primarily focus on the relationship between how we fund K-12 and the property tax discussion we are having in the state. While TEEOSA initially had some success in reducing property taxes, as you can see in the handout provided,

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changes to the formula that were made to reduce the state's funding obligation hindered meaningful property tax reduction. Recently, the spike in agricultural land valuation has further reduced the state's share of K-12 education. As a result, our heavy reliance on property taxes to fund K-12 education in Nebraska today looks eerily similar to when TEEOSA was first passed. As you can see, property taxes did go down as a share of the economy, hitting its lowest point in 1999. Some might argue that this reduction in property taxes didn't last because schools have been overspending. However, as you can see in the handout, school spending as a share of the economy has been flat for the last 15 years. Furthermore, a report done by LFO in 2015 found that school spending growth in our state over the last decade has been at its lowest level in 30 years, averaging 4.1 percent growth in General Fund spending. Instead, the lack of property tax relief has been the result of declining state support for K-12 education, as shown in the third chart in the handout. This trend is partly the result of the Legislature's tendency to tweak the formula whenever the state has a projected budget shortfall, like now, or when TEEOSA increase according to the formula is just more than the Legislature wanted to spend. One such change was capping the allocated income tax, which sends income taxes paid by residents in a district back to that district. In 1996, it was capped at \$102 million, which by FY '17 represented only 2.1 percent of income taxes paid in contrast to 20 percent as originally intended. Another example was during the Great Recession when we used ARRA funds to supplement K-12 education funding but then didn't increase state dollars to replace the federal funds when they went away, instead choosing to change the formula during the 2011 Session to reduce the state's share. Recently, agricultural land valuations have increased dramatically, rising over 231 percent since 2007 compared to 31 percent for commercial and 19 percent for residential. This has led to a significant increase in resources for many districts and consequently a dramatic reduction over that same period in the percentage of districts that are equalized from 81 percent in FY '09 to 31 percent in FY '17. As a result, our education funding system today is as highly reliant on property taxes as it was when TEEOSA was established. At the time, state aid to education was declining as a share of the economy. Likewise, the Appropriations Committee's preliminary budget would take K-12 funding to an historically low level as a share of the economy since the implementation of TEEOSA, as you can see in the handout. Therefore, changing the TEEOSA funding growth from 6.9 percent in FY '18 and 5.3 percent in FY '19, as the formula would have required, to 2.1 percent in both years will continue to shift more on to property taxes as we cut TEEOSA more than \$47 million in FY '18 alone in order to address the budget shortfall. Not

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only will this increase property taxes for many districts but also force many districts to make cuts as well. Given that the mechanism to reduce TEEOSA aid is yet unknown, it's difficult to model exactly how property taxes and service provision in districts will be impacted, and this uncertainty makes it difficult for districts to plan. However, if LB409, as amended, had been used in FY '17, nine districts would have become nonequalized and 31 districts would have lost over \$24 million in revenue if they could not obtain a levy override. The reduction in spending authority would also lead to cuts for a number of districts that are at or close to their spending authority already. These tend to be nonequalized districts. We realize that unless there is some other revenue on the table to close the budget gap that there is little you can do to avoid this outcome that would result in cuts or increases in property taxes in districts across the state, including urban and rural, big and small, and equalized and nonequalized districts. Our K-12 funding formula in Nebraska is complex, more than a quarter century old. While tweaks have been made along the way, the level of frustration about the current formula from both rural and urban districts signifies it's time for a new formula and not further cuts to state aid for education that would harm schools and further raise property taxes. Nebraskans deeply care about and value our public education system and we know that a strong K-12 education system expands economic opportunities for everyone and is foundational to the strength of our economy today and in the future. Fundamentally, to preserve the quality of education Nebraskans expect while also finally addressing the heavy reliance of property taxes in education funding, we need to increase state aid to education. However, figuring out how to raise and distribute these dollars in a manner that is fair to taxpayers but also allows equity in educational opportunity requires a longer term review. For these reasons, we hope that you would support an evaluation of our school finance system, like LB484 that's been mentioned a couple of times already today and that bill is before the Education Committee. Without such a review, we will continue to find ourselves having the same conversation over and over again. And with that, I'd be happy to answer any questions. Thank you for your time. [AGENCY 13]

SENATOR STINNER: Questions? Seeing none, thank you. [AGENCY 13]

RENEE FRY: Okay. Thank you. [AGENCY 13]

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SENATOR STINNER: (Exhibits 12 and 13) Any additional testifiers in the neutral capacity?  
Seeing none, I do have a letter of support from Westside Community Schools; I have a letter in opposition from the Nebraska Council of School Administrators. That concludes testimony on Agency 13, Department of Education. [AGENCY 13]