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Education Committee  
February 06, 2018

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[LB917 LB1056 LB1094 LB1103]

The Committee on Education met at 1:30 p.m. on Tuesday, February 6, 2018, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB917, LB1056, LB1094, and LB1103. Senators present: Mike Groene, Chairperson; Rick Kolowski, Vice Chairperson; Laura Ebke; Steve Erdman; Lou Ann Linehan; Adam Morfeld; Patty Pansing Brooks; and Lynne Walz. Senators absent: None.

SENATOR GROENE: It's time to start. It's past 1:30, sorry about that. Welcome to the Education Committee public hearing. My name is Mike Groene from Legislative District 42, I serve as Chair of this committee. The committee will take up the bills in the posted agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following rules. Please turn off your cellphones, move to the chairs at the front of the room when you are ready to testify. The order of testimony is: introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green testifier sheet and hand it to the committee clerk, page when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute--we need 12 copies. If you don't have 12 copies, the page will make them for you. If you are not going to publicly testify or need to leave early, you can turn in written testimony with a completed green testifier sheet. When you begin to testify, please spell and state your name for the record. How many folks are here to testify today? Probably going to go four minutes. Then you will be asked questions. If you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. If you're listening out there and you sent in an e-mail, a letter to be in the record, you must have it in by 5:00 p.m. the previous day so that our clerk and our staff has time to put it into the record. The committee members with us today will introduce themselves, beginning at my far right. Senator Linehan.

SENATOR LINEHAN: Good afternoon. Senator Linehan from District 39, which is western Douglas County.

SENATOR KOLOWSKI: Good afternoon. Rick Kolowski, District 31 in southwest Omaha.

SENATOR EBKE: Laura Ebke, District 32, which is southwest Lancaster and the four counties southwest of that.

SENATOR ERDMAN: Steve Erdman, District 47, 10 counties in the Panhandle.

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SENATOR WALZ: Lynne Walz, District 15: Dodge County.

SENATOR GROENE: As far as I know, Senator Pansing Brooks and Senator Morfeld will be joining us later. To my immediate left is legal counsel Charles Garman. Later in the hearing, LaMont Rainey will be joining us for the bills that he manages. To my right, at the end of the table, is committee clerk Kristina McGovern. Pages, to my far right, are Heather Bentley, student at the University of Nebraska; and Sam Baird, student at the University of Nebraska also. Senators may come and go. You'll see us on our cellphones or talking to staff so we can get information so we ask pertinent questions to the testifiers. Thank you. We will begin with LB1056, Senator Hansen.

SENATOR HANSEN: (Exhibit 1) All right. Good afternoon, Chairman Groene and members of the Education Committee. I'm Senator Matt Hansen, M-a-t-t H-a-n-s-e-n, and I represent District 26 in northeast Lincoln. I'm here today to introduce LB1056, which would start a process for the State Board of Education to coordinate the collection of uniform and timely data from school districts on student disciplinary actions and law enforcement interactions. I view this bill as a companion bill to LB930, which several of the members of this committee will hear in Judiciary this Friday. That bill would require parental notification when a child undergoes a custodial interrogation by law enforcement without a parent present. Those situations where children do interact with law enforcement without their parents often arise from incidents at school. While researching the issue, I found that there is not currently a clear, coherent, and uniform body of data on school-based arrests and student interactions with law enforcement. I decided that perhaps the most appropriate first step to addressing this issue is ensuring that we have accurate, local, and consistent data to determine incidents like this are a sign of a larger issue at hand. There is limited data to show how frequently school-based arrests occur, as well as limited data on broader issues causing student interactions with law enforcement. These interactions are important to study because they are often the first point of contact for youth in their interest into the criminal or juvenile justice system from our schools, often called the "school to prison pipeline." Concern about school safety, particularly in the late '90s and early 2000s, led to strategies aimed at reducing crime and violence in schools. One way that many schools have chosen to address these concerns is by having a greater law enforcement presence involved with the schools. According to the National Center of Education studies, there are now more than 43,000 school and resource officers and police officers, an additional 39,000 security guards across the nation in our public schools. Unfortunately, with increased law enforcement presence at schools, there are many opportunities for students to enter the justice system for behaviors which in previous eras would have not been considered criminal. Researchers at Education Week recently examined federal data and found that students at schools with a resource officer were 1.5 times more likely to be arrested. To be clear, we're not necessarily always talking about violent crimes which are perpetrated at school, rather things that used to be handled as routine behavioral or disciplinary in school can much more easily be turned into criminalized acts which

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can affect a student for the rest of their lives. To compound the problem, the report found that, at least in the short-term, students who are arrested or referred to law enforcement can see a drop in school performance and are disproportionately more likely to get involved with the law again as adults. Currently, the federal Office for Civil Rights collects some of this data, but the reports it produces are backdated by two to four years, and a lack of clarity in the office's guidance in reporting requirements may give rise to inaccuracies and inconsistencies between the districts in the information reported. Some school districts also collect some of this data in-house, but because it is not consistent across districts, and sometimes not disaggregatable (phonetic) by key demographic data, it will be difficult to fully utilize it to examine the issue at a statewide level. Rather than introduce legislation that limits law enforcement presence or their ability and discretion to intervene, this bill presents an opportunity to examine the existence of the issue in Nebraska. Among the data points to be collected would be the number of suspensions, expulsions, mandatory school transfers, the number of students referred to law enforcement or ticketed, arrested or detained at school, and the use of restraints and room confinement by staff or officers. I believe it is important to collect all of this data, including non-law enforcement discipline, to collect a comprehensive view of the risk of punishment in Nebraska. Access to this data from our schools will allow us to more fully understand the broader issue of the "school to prison pipeline" in our state. I will also pass out AM1774, if I can get a page, which was recommended by the Nebraska Department of Education. And viewed as a technical amendment that changes a reference from the "state board" to the "Department of Education." And I would be more than happy to work with the committee on that. With that, I would conclude my testimony, and would be happy to take any questions on LB1056. [LB1056]

SENATOR GROENE: Any questions from the committee? Senator Kolowski. [LB1056]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Senator, thank you for bringing this forward. I wanted to ask did you find in your discussions with the districts how much is available from the information that you're having singled...that would be available through their resource officers or their disciplinary actions in their buildings? Like Omaha Public, Lincoln, Millard, right down the line with the size of the districts? [LB1056]

SENATOR HANSEN: Sure. You know, that's part of the reason for the bill, is both talking with districts, school board members, stakeholders, it kind of seemed to be very varied on what was available, what was easily available, what people had. And so that's why I think some sort of statewide standard, whatever we choose it to be, makes sense. [LB1056]

SENATOR KOLOWSKI: And the privacy that goes along with some of those issues, where does that come in? [LB1056]

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SENATOR HANSEN: Sure. I kind of view my data, in terms of what this bill is, as would be kind of the overall summary. You know, we're not asking for necessarily student data of individual students, but this many at this school in this grade, just out of more in that breakup. [LB1056]

SENATOR KOLOWSKI: Just keep it on numbers and not names? [LB1056]

SENATOR HANSEN: Sure. And I will say my knowledge of student data protections, I would be more than happy to keep working with the committee to make sure that's well protected. [LB1056]

SENATOR KOLOWSKI: Did you discuss this with school resource officers directly? Did you have a chance to talk to any on the level? [LB1056]

SENATOR HANSEN: I did not. So that was kind of some of our research on whether or not this data set already existed. We kind of got told that no, there wasn't. And so if there was kind of wasn't already a statewide data set, that's what we were looking for. And so I thought I would go ahead and create it. [LB1056]

SENATOR KOLOWSKI: I know many districts have their own data set that they would be able to utilize to get the information that you're asking for here. [LB1056]

SENATOR HANSEN: Right. [LB1056]

SENATOR KOLOWSKI: It's just how much work that would be to translate it all into a common set. [LB1056]

SENATOR HANSEN: Right. Yeah, absolutely. I would certainly expect all of these things that are recorded and documented at district offices already. And it's just having some sort of system or, you know, scheduled reporting. [LB1056]

SENATOR KOLOWSKI: Is there a fiscal note at this time? [LB1056]

SENATOR HANSEN: There is a fiscal note, it's a one-time cost. It's a one-time cost of approximately \$40,000. So they view that once they start the reporting requirements, they can handle that with existing staff. But the short-term creating the computer system is going to be a one-time cost so. [LB1056]

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SENATOR KOLOWSKI: I like your rationale in the sense of this may be the beginning of behaviors on the part of the student that we would be able to trace and do some interventions with to stop things from happening in the future. And I appreciate what you're trying to put together here, so thank you. [LB1056]

SENATOR HANSEN: Appreciate it. [LB1056]

SENATOR GROENE: Senator Pansing Brooks. [LB1056]

SENATOR PANSING BROOKS: Thank you. Thank you for bringing this, Senator Hansen. I think we've talked before, and as you know, this is something that I'm highly concerned about, the use of school resource officers. It's my intent to have an interim study coming up this next year regarding the use of school resource officers. When I was in middle school, Irving Middle School here in Lincoln, oh so many years ago, school resource officers were first initiated and the whole program was created. And it was to initiated to show that police officers are our friends, that there could be a good relationship between kids and the police, and it was really positive. What's happened of course is partly due to our society and how things have gone. We have concern about shootings in schools and things like that. But as Senator Linehan and I went across the state looking at reading, after we were done discussing reading and deficiencies my next question at the very end before we left was, do you have a school resource officer and how are you using them? And when the school resource officers are there to supplement and to protect the school, that's important. When they're used an arm of the police department and kids come into the principal and talk to the principal and are doing things like admitting to whatever they did, a schoolyard fight, and because they admitted it in front of a school resource officer they then get charged and it was an admission of guilt. We've got to decide if that's what we really want to do. Because if they're admitting that and they aren't given their rights, their Miranda rights, we have to decide how far the schools really want to go in this effort. You know, if the principals truly can't handle it as they've handled it in the past, we've got to figure out what we do to make sure that those kids are not...that their constitutional rights aren't infringed upon. So I really appreciate you bringing this, it's important to see what's happening. We know that so many kids are getting tossed out of home detention, and then once they have a charge they can't get a job, they can't get into a school, or a scholarship. So this is really important work that you're doing, and I really appreciate it. And thank you for doing this. [LB1056]

SENATOR GROENE: Does anybody have a question? Senator Linehan. [LB1056]

SENATOR LINEHAN: Thank you, Chairman Groene. Thank you, Senator, for bringing this. Do you understand how the federal program works? Because schools have been penalized I think for doing too many suspensions. And I don't want to name a school because I don't remember for

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sure. But I know I can remember in the last four or five years schools having been under some kind of sanctions because of suspending too many kids. Do you know...so do the schools have to report to the federal government their suspensions? [LB1056]

SENATOR HANSEN: I know there is some federal reporting guidelines, but I'm not an expert and I don't have an answer for you right now. [LB1056]

SENATOR LINEHAN: No, that's fine. I just...it would be interesting if we could figure out that. So maybe there's a way. [LB1056]

SENATOR HANSEN: Yeah. [LB1056]

SENATOR LINEHAN: Thank you for bringing this. [LB1056]

SENATOR GROENE: Any other questions? Senator Erdman. [LB1056]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you, Senator Hansen. So if the school doesn't already have this information or collect it, what is it going to cost the school to get into compliance with this? [LB1056]

SENATOR HANSEN: I suppose that would be on school...certainly I would hope that for most of this data, I mean, a lot of this is school disciplinary measures. We have an entire code on authorizing discipline in school, and I presume that has reporting requirements in the documentation throughout. So I don't necessarily know if I'm trying to create anything that doesn't exist at the district level. But I would be happy to work with school districts if we included something that did or did not have easy access to. [LB1056]

SENATOR ERDMAN: What we normally do here, we pass bills that do one-size-fits-all, and we have a lot of schools that are very small in number. And if you're trying to protect the information about whatever it is, whether it's race or ethnicity or gender, it's pretty hard in some of those smaller schools to keep that from being revealed. How are you going to keep that from being made public when that information shouldn't be? [LB1056]

SENATOR HANSEN: I mean, if there...if we want to have specific safeguards in the data, I would be more than happy to work on that. You know, obviously, you're right. I imagine some districts have small enough student bodies that if you know of the probably just from the school and grade you can probably get a good guess on who the specific student is. If we need to do some sort of protections, I know when the Department of Labor data has all sorts of metrics so

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that you don't, you know, reveal too much about a single employer if there's only one business that does such and such. I imagine we could probably copy something like that. [LB1056]

SENATOR ERDMAN: So maybe we should have this for certain size schools and the smaller schools maybe would be exempt because of that protection. Being safe? [LB1056]

SENATOR HANSEN: I wouldn't want to necessarily exempt any school district, because it is kind of intended as an oversight tool. If but we need to do some sort of privacy protection, you know, scrub names, scrub the names of the school or whatever it is on certain sizes, we can certainly talk about that. [LB1056]

SENATOR ERDMAN: Okay, thank you. [LB1056]

SENATOR HANSEN: Yeah, of course. [LB1056]

SENATOR GROENE: Senator Ebke. [LB1056]

SENATOR EBKE: Just maybe somebody from the Department of Education is here, but I believe that the department masks any data that if the group is less than 10, I think is the number. Somebody else may know this. But I remember when we rolled-out tests that there were certain demographics information that was masked so you couldn't tell who it was. [LB1056]

SENATOR GROENE: Any other questions? Thank you, Senator Hansen...oh, Senator Kolowski. [LB1056]

SENATOR KOLOWSKI: Just a statement. I think it's important to get on the record that as a high school principal of one of the three largest high schools in the state, I would not want to open that building every day without a school resource officer there. It's extremely important to utilize their skills and abilities and set the climate and culture of what you want that building to be. Thank you. [LB1056]

SENATOR HANSEN: Thank you. [LB1056]

SENATOR GROENE: Any other questions? Thank you, Senator Hansen. [LB1056]

SENATOR HANSEN: Absolutely. [LB1056]

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SENATOR GROENE: Proponents. [LB1056]

JULIET SUMMERS: (Exhibit 2) Good afternoon, Chairman Groene and members of the Education Committee. My name is Juliet Summers, J-u-l-i-e-t S-u-m-m-e-r-s, and I'm here representing Voices for Children In Nebraska in support of LB1056. Education is a key indicator of future opportunity for children, and we need to take every effort to ensure that our system is setting students up for success. We support this bill because we believe it is a measured first step in examining our schools' disciplinary policies and whether we are pulling students into educational success or pushing them out to the streets or the court system. We know, I should say off the bat, that schools may struggle with inadequate resources to deal with the myriad of behaviors and issues that they need to in order to address every students' need, but we have to find ways to deal with misbehavior while allowing students to pursue their education. When schools respond to misbehavior through exclusionary policies and excessive exclusionary policies, such as overuse of out-of-school suspensions, expulsions, or even arrests and referrals to law enforcement, then the research really shows that both the misbehaving student and the school at large can suffer. So for the student who is suspended, research shows a direct line from the initial suspension to further suspension and expulsion to decreased likelihood of educational attainment and increased likelihood of court involvement. And the for the school as a whole, there also have been studies that have shown that schools with a higher reliance on exclusion as a form of discipline actually score lower on academic performance of the student body as a whole. And researchers hypothesize that that could be due to increased feelings of anxiety and decreased feelings of attachment to the school among the student body. Conversely, in places that have limited exclusionary discipline, safety doesn't suffer. And I should say that both of those findings are even when controlling for socioeconomic and demographic factors. In fact, when you limit exclusionary discipline, safety often improves because schools become safer when kids feel connectedness and community. So at Voices for Children we believe in starting from the data to determine whether a problem exists before trying to fix it. And to do that, you need good and reliable data. Right now, as the senator noted, data on disciplinary policies on law enforcement involvement at schools is a patchwork. There is currently a federal reporting system through the Department of Education Office for Civil Rights, and I believe the senator quoted some data from that. So I can tell you that, according to that data set, in the 2013-2014 school year there were 283 school-based arrests and 1,529 law enforcement referrals for school-related behavior. And of those, 33 percent were actually students with identified disabilities. Now that sentence that I just gave you sort of highlights why you need good and reliable data. Because, first of all, that 2013-2014 is a little backdated from 2018. So a parent trying to figure out what's going on in their school district has two to four-years-old data to look at right now. And secondly, I went on as a parent who recently moved public school districts and discovered that the school district we had been in wasn't reporting that information at all. And that's the largest school district in our state. So the numbers that I just quoted you don't appear to include, at least as far as I could research, OPS--at least OPS high schools. So I see my yellow light is on, you



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have the rest of my testimony in front of you. But essentially we really believe that having this bill, having this data collected and offered for lawmakers, for families, for parents to look at at the state level, that will have clear and consistent definitions and appropriate masking when school districts are too small and it would give rise to confidentiality concerns, that having this database available will be of great benefit to everyone in deciding future policies around schools and also as parents deciding where we want to send our kids to schools. So we thank Senator Hansen for bringing this bill, and I thank you for your time. [LB1056]

SENATOR GROENE: Any questions? Thank you for your testimony. [LB1056]

JULIET SUMMERS: Thank you. [LB1056]

SENATOR GROENE: Next proponent. [LB1056]

BRAD MEURRENS: (Exhibit 3) Good afternoon, Senator Groene, members of the committee. For the record, my name is Brad, B-r-a-d, Meurrens, M-e-u-r-r-e-n-s, and I am the public policy director for Disability Rights Nebraska, the designated protection and advocacy organization for persons with disabilities in Nebraska. I'm here today in strong support of LB1056. The nation is moving toward reducing the use of physical force and/or restraint to address student behavior. The recent Every Student Succeeds Act contains provisions to have states report how they will assist schools to reduce the use of aversive behavioral interventions like restraint and seclusion, bullying and harassment, and the use of discipline practices that remove students from the classroom. Restraint use presents a serious physical health risk to those involved. Reports by the National Disability Right Network, the Governmental Accountability Office, and others show that children can suffer serious bodily harm and even death at the hands of teachers or school staff when using restraint techniques. Restraint and seclusion are disproportionately used on students with disabilities. The Civil Rights Data Collection indicates that schools restrain and seclude students with disabilities at higher rates than students without disabilities. During the 2013-14 school year, students with disabilities were subjected to mechanical and physical restraint and seclusion at rates that far exceeded those of other students. Students with disabilities represented 12 percent of students enrolled in public schools nationally, but represented 67 percent of students who were subjected to restraint or seclusions. Additionally, students with disabilities are disproportionately suspended at rates higher than their peers without disabilities. The CRDC data demonstrate that students with disabilities have the highest risk of being suspended. This is particularly true for students with behavioral, emotional, and/or behavioral health needs. For example, the 2011-2012 data indicates that students with disabilities represent a quarter of students arrested and referred to law enforcement, even though they are only 12 percent of the overall student population. The CRDC data from 2013-14 says that students with disabilities are more than twice as likely to receive one or more out-of-schools

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suspensions as students without disabilities. Disability Rights Nebraska strongly supports LB1056 as data collection is necessary to understand the scope of these practices, the underlying causes leading to their use, and ultimately the mechanisms by which these practices can be reduced or alleviated. Data and incident reporting is the linchpin and must be more robust than just a number count. We would offer a language change on page 3, line 1, where it says...has words "learning or behavioral disabilities." And we would say that it would be better to either leave it as just "identified disability" or would have to be broken down into more disability types, because students with other disability types are also subjected to the use of these techniques. And so the data collected should also reflect the broad use of these disciplinary techniques on Nebraska students, especially those with disabilities. And as that, we would urge the committee to advance the bill. I would be happy to answer any questions. [LB1056]

SENATOR GROENE: Any questions from the committee? Thank you for your testimony. [LB1056]

BRAD MEURRENS: Thank you. [LB1056]

SENATOR GROENE: Proponents. No more proponents? We have received correspondence in support from the National Juvenile Justice Network; Willie Hamilton, Omaha; and Leanne Whetstone from I don't know. Opposition. We received an opposition letter from the Nebraska Rural Community Schools Association. Any neutral testimony? Senator Hansen, would you like to close? [LB1056]

SENATOR HANSEN: Yes, I would. Thank you, committee members. Let me start off by saying I'm absolutely in support of the proposed language change to give more claribility (sic) to when we talk about students with disability maybe including more categories, and would be happy to work with stakeholders to get there. So kind of my fundamental thing here is we're trying to make a lot of decisions, and the data isn't always there or we get conflicting things. Kind of some of the path that I went down with this, and why I wanted this data and why I wanted it broken down by these categories is, you know, working with Judiciary, working on these issues, working on kind of it more from the judicial and juvenile justice, corrections side is there's incidences that happen. They happen and they're kind of, you know, like really alarm you, and you know, is that common? And the answer for like, oh no, of course it's not common, it's against policy. Yada, yada, yada. And then it like might happen again and you're kind of left thinking, you know, sometimes as a state senator, I hate basing my opinion and the bills I work on based on only things that make the newspaper. Because we all know not all of them make the newspaper. So that's why just having some sort of data set available would be...really aid us in making good decisions. I would be happy to work with the committee, I know there was brought up the fiscal

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costs. We have to figure out if there's a way to defray the fiscal cost or continue working on this in other avenues. With that, I would be happy to take any questions. [LB1056]

SENATOR GROENE: Any questions? Thank you, Senator Hansen. [LB1056]

SENATOR HANSEN: Thank you, committee. [LB1056]

SENATOR GROENE: That ends the hearing on LB1056. We will go now to LB917 from Senator Bolz. [LB1056]

SENATOR BOLZ: (Exhibits 1, 2) Good afternoon, Education Committee. I am Senator Kate Bolz, for the record, that's K-a-t-e B-o-l-z. And this afternoon I bring you LB917. This bill expands programs available for the Community College Gap Assistance Program. The Community College Gap Assistance Program was created in 2015 with the help of some of you on this committee, and I thank you for that, to help defray educational costs for low-income students enrolling in noncredit instructional programs that lead to certifications, credentials, or skill levels in in-demand occupations and get participants into the work force and career-track education programs quickly. Currently, neither without the gap program, neither noncredit instructional programs or short-term for-credit instructional programs are eligible for federal financial aid. Under this program, they are available for the Gap Tuition Assistance Program. And as you'll recall, the gap program is funded through a portion of the lottery funds, which is intended for educational purposes. In fiscal year '16-17, the program's first year, Nebraska's community colleges offered 283 approved programs across the 12 categories of in-demand occupations. For example: Welding technology and certified bookkeeping. As of June 30, 2017, 106 applicants had been approved to participate and 66 students had completed their training with the support of this program. Participation is expected to increase in upcoming years, as the program has spent the last year or so getting established and promoting itself. However, we are underspending in terms of the amount allotted from the lottery funds. So LB917 represents an opportunity to make some improvements to the policy to increase opportunities for participation and funding utilization. These improvements can result in more Nebraskans acquiring the training they need to become employed or advance in their current positions. Gap tuition assistance is available for programs offered by community college that are not offered for credit but are aligned with training programs with stackable credentials that lead to a program awarding credit, an associate's degree, a diploma, or a certificate in an in-demand occupation. These program courses must also have a duration of not less than 16 contact hours in length and meet any one of the following criteria: They must offer a recognized certificate; offer preparation for professional examination or licensure; offer an endorsement for an existing credential or license; recognize skill standards defined by an industrial sector; or offer a similar credential or training. So LB917 would expand program offerings available through tuition assistance to include

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specific for-credit courses or short-term programs that can also lead to certifications, licenses, or skill levels equivalent to the noncredit programs. Two examples of this are certified nursing assistants and commercial driver's licenses. These two specific examples are in-demand occupations that are professionally recognized and have a recognized career path. So there's opportunity, for example, for a certified nursing assistant to advance into a nursing program eventually. Transportation and logistics would be where a commercial driver's license student might proceed in terms of their associate's degree. So from my perspective, gap is a critical tool for work force development. It helps to both fill needs for in-demand jobs and create opportunities for low-income students. I do have a technical amendment which was brought to my attention from the Coordinating Commission for Post Secondary Education related to some recent changes in federal Pell Grant aids. So I will ask the page to circulate the amendment, which is technical in nature, but marries up the statute with federal rules and regulations. And I would be happy to answer any questions. [LB917]

SENATOR GROENE: Senator Kolowski. [LB917]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Senator, are all the community colleges in the state involved in this program? [LB917]

SENATOR BOLZ: They've all participated and they all have a wide variety of courses available to these students. [LB917]

SENATOR KOLOWSKI: Okay. And usually they are as good as the high school counselors that identify students or get the materials. I'm sure they have published materials that would be available for the high schools to use with prospective students and as a recruiting tool in letting them know about this program and see how well that fits. [LB917]

SENATOR BOLZ: Yeah. This committee allowed a portion of the funds to be used for promotion, education, and marketing. And I also failed to mention that the Coordinating Commission for Post Secondary Education does have an annual report for this program that we can certainly make available to you. [LB917]

SENATOR KOLOWSKI: What was the budget for the first couple of years, do you have that? [LB917]

SENATOR BOLZ: \$1.4 million. [LB917]

SENATOR KOLOWSKI: \$1.4 million. And that's what percent of the... [LB917]

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SENATOR BOLZ: Of the total lottery funds? I was just trying to remember that, and I couldn't off the top of my head. But I'll circle back to it. [LB917]

SENATOR KOLOWSKI: That's fine. Thank you. [LB917]

SENATOR BOLZ: Yeah. [LB917]

SENATOR GROENE: Any other questions? Senator Pansing Brooks. [LB917]

SENATOR PANSING BROOKS: Thank you for coming, Senator Bolz. So do you have a feel...did you look at some of the legislative history to see why it was that we didn't...we specifically had not included those programs that were offered for credit? [LB917]

SENATOR BOLZ: Sure. Yeah, it was my bill in 2015, so when we were putting the bill together we worked really closely with the community college academic program officers. And at that point in time, we didn't know for sure what percentage of the lottery funds we might be able to achieve for this program. As you probably recall...well, I can't remember what your election date was, but as some members of the committee might recall, every five years we update the lottery funds. And we knew that there was an opportunity to get a percentage of the lottery funds. So I don't mean to be long-winded. We had to choose a cut-off point. And that was the cut-off point that we chose so that we could start with a modest approach and not have to turn students away or create a waiting list. [LB917]

SENATOR PANSING BROOKS: Okay, thank you. [LB917]

SENATOR BOLZ: Yep. [LB917]

SENATOR GROENE: Senator Linehan. [LB917]

SENATOR LINEHAN: Thank you, Chairman Groene. Thank you for bringing this. You said they were underspending it now, so how under are they? [LB917]

SENATOR BOLZ: Recall that this is the first year of the program, so we don't expect them to fully spend their appropriation this year. But their annual report said that \$265,000 of the \$1.4 million was spent this year. So remember the quarter system and getting ramped up and getting the rules and regulations means that they should be underspending at this point in time. But I think what all the experts in the room will tell you is that we've got room to expand in this

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program. And I would argue that expanding the certifications makes more sense than expanding the population that would be eligible. [LB917]

SENATOR LINEHAN: Okay, thank you very much. [LB917]

SENATOR BOLZ: You're welcome. [LB917]

SENATOR GROENE: Senator Kolowski. [LB917]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. What percentage of the bill...the school is paid for by the scholarship assistance? [LB917]

SENATOR BOLZ: Oh, that's a great question. So the first answer to the question is that all other funding sources have to be utilized first, so it may vary from student to student. Any remaining uncovered tuition could be covered. If you need, for example, steel-toed boots for a welding course, you might be able to say that you need the instructional materials. You could ask for coverage for books. So really, it's a payment of last resort and unmet need. Anything that is related to the completion of the course, the academic work. [LB917]

SENATOR KOLOWSKI: Are some students on a full scholarship, depending on the tuition and what's available? [LB917]

SENATOR BOLZ: Yes. [LB917]

SENATOR KOLOWSKI: Thank you. [LB917]

SENATOR GROENE: Any other questions? Thank you, Senator Bolz. [LB917]

SENATOR BOLZ: Thank you. [LB917]

SENATOR GROENE: Proponents. [LB917]

MIKE BAUMGARTNER: (Exhibit 3) Mr. Chairman, members of the Education Committee, thank you for the opportunity to appear before you today. My name is Mike Baumgartner, M-i-k-e B-a-u-m-g-a-r-t-n-e-r, and I'm the executive director of the Coordinating Commission for Post Secondary Education. I'm here to testify in support of Senator Bolz's LB917 and her amendment to it. She mentioned a lot of parts of the program, so I'm not going to cover everything. I do want

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to add that the program is picking up speed in the second year. Through the first two quarters of its fiscal year, the colleges have used \$270,000 of the appropriation, which is \$5,000 more than they used the entire year last year. So I think that it's picking up nicely, and I would expect that to continue. But even though participation is increasing in the second year, it's clear that improvements still need to be made to get more training to more Nebraskans to get into the work force. The most significant improvement in utilization would come from expanding program eligibility to include specific for-credit courses or short-term programs that lead to certifications, licenses, or skills equivalent to the noncredit programs. Two examples of this, as Senator Bolz mentioned, are CNAs and commercial driver's licenses. So for instance if you go to Southeast Community College's web site and you're thinking about getting a CEDL, think there's a lot of career opportunities for it, and you read \$42,000 a year average starting salary sounds great. Get to the back, estimate expenses: \$1,308. Oh, but financial aid is not available for this program, okay. It's not eligible for Pell because it's noncredit, and it's not eligible for gap. It's not eligible for Pell because it's too short-term, but it's not eligible for gap because it's for credit. You look for nursing aid, you run into the same problem. Course information, as a Nebraska resident, this program is going to cost me \$495. Please note that this does not qualify for financial aid. The question is asked about advertizing for gap. Southeast Community College does advertize gap, but it also has to mention that that program is not eligible for gap, CNA is not. Medication aid is, because it's noncredit and they have a list of the other noncredit courses that are covered. But CNA is not because it's a for-credit course and it's too short in length to be a Pell Grant-eligible program as well. So we're looking for ways to fix that. In September, the Nebraska Community College Student Performance and Occupational Education Grant Committee discussed the possibility of seeking an expansion program eligibility, how that could best be done, and what courses, programs, and certifications could be included through an expansion. The committee agreed that each college should be contacted to determine which for-credit courses or programs could be added to the gap program through a statutory change, and that's what I have handed out to you today, or have handed out to you. It's a list of programs from the community colleges that would be added if they were able to add for-credit courses. LB917 as introduced was written to ensure the gap funding would extend to both noncredit programs and for-credit programs that are not eligible for federal Pell Grants. The wording was based on current federal Higher Education Act. Wherever on the time since that was drafted, the U.S. House Committee on Education and Workforce passed its HEA reauthorization bill titled the PROSPER Act. That act would reduce minimum program length for Pell eligibility in half, down to 8 semester or 12 quarter hours during a minimum of 10 weeks. We don't know if that act is going to pass the House of Representatives, let alone the Senate, and become law. But since the U.S. Senate Committee on Health, Education, Labor and Pensions is also beginning its work on HEA reauthorization and it has indicated that it wants to expand Pell eligibility to shorter-term programs as well, it seems prudent to change LB917 to avoid any future conflicts with Pell eligibility. That can be done through the proposed amendment, which simply opens the gap program to any short-term for-

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credit program that is not Pell eligible due to program length but otherwise meets program requirements. And with that, I would be happy to respond. [LB917]

SENATOR GROENE: Senator Kolowski. [LB917]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Mike, on the tuition eligibility...pardon me, where do service men and women in our country fall? Are there any special opportunities for them as far as National Guard or full-time service, and maybe they're out of the army or whatever it might be right now? [LB917]

MIKE BAUMGARTNER: Yeah, this program's eligibility is determined on your income, 250 percent of federal poverty. So hopefully service men or service women would come with GI benefits to go into whatever program they were looking for. If for some reason they didn't, if they had used them up previously or they passed them on to someone else, and they were looking at one of these careers, then there wouldn't be any special set aside. But they would be eligible if they need the eligibility criteria based on income and ability to complete the program. [LB917]

SENATOR KOLOWSKI: So they can have GI bill as well as possible money? [LB917]

MIKE BAUMGARTNER: They shouldn't be able to do that if they have tuition money from the GI bill. Because this, as Senator Bolz indicated, would pay for the costs that aren't covered otherwise. And the Pell Grant doesn't cover these, that's the issue. But if there was something else, then they should be looking at that first. [LB917]

SENATOR KOLOWSKI: Just a general question. Thank you. [LB917]

MIKE BAUMGARTNER: Yeah. [LB917]

SENATOR KOLOWSKI: Appreciate it. [LB917]

SENATOR GROENE: Any other questions? Thank you, sir. Proponents. [LB917]

GREG ADAMS: Senator Groene, members of the committee, my name is Greg Adams, G-r-e-g A-d-a-m-s, representing the Nebraska Community College Association. I don't believe that there's much that I could add to the testimony that's already been submitted. It truly is a gap program. It fills a gap for those students, particularly if they're part-time students and they're looking for a credential. Not a degree, but a credential. Whether it's CNA, whether it's welding,



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whether it's a CDL license, and they're not Pell eligible. Many of our programs at our community colleges end up with a degree, and the certifications or the credentials come along the way as you are working on classes. This is for that person that isn't necessarily working down that long road for a degree, but instead they want to get the certificate. Maybe it moves to something else later on, but in the short-term this is where they want to be. They're not Pell eligible, it fills that gap, and it gets them into the work force. I would try to answer any other questions you might have. We do support the amendment, it helps. [LB917]

SENATOR GROENE: Any questions? Thank you, sir. Proponents. [LB917]

LARRY SCHERER: (Exhibit 4) Senator Groene, members of the Education Committee, for the record, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'm with the Nebraska State Education Association. We support LB917 and the modest expansion of this program for college credit courses. You know, for the students, being able to have credit courses will allow them to go on. And if they...excuse me, if they do choose to get a degree, these hours are more easily stacked into those degree programs. And so that's a benefit. It's also a benefit to employers who hire these people as they advance through their career, and they have more highly skilled people. In terms of the funding, you know, there's no financial impact of General Fund, the money is there. One suggestion we might throw in there is the Excellence in Teaching Act, which is loan forgiveness for students that are in teacher education. We need more teachers in the field, and as well as teachers in the field in shortage areas and low-income areas. There's a loan forgiveness program and it is over-expended, money usually runs out before the end of the year. Realize that you have a sort of a five-year cycle on redistribution of the lottery funds. But if you would consider maybe using some of this money. Otherwise, it basically I think just sits with the lottery folks until that happens. So if you would consider that as a possible change down the road, that would be great. This is a time of shortages, and yesterday was the Appropriations Committee looking at cutting another 2 percent this year and 4 percent the next year for community college funding. And, you know, we're in opposition to that, but General Fund dollars are going to be hard to come by. So this money, making it more available, it would be something positive that could happen this year. So encourage you to move it forward. Thank you. [LB917]

SENATOR GROENE: Questions? Thank you for your testimony. [LB917]

LARRY SCHERER: Thank you. [LB917]

ERIC SAVAIANO: (Exhibit 5) Good afternoon. Chairperson Groene and members of the Education Committee, my name is Eric Savaiano, E-r-i-c S-a-v-a-i-a-n-o, and I'm a program associate in the economic justice program at Nebraska Appleseed, which is a nonprofit law and policy organization that fights for justice and opportunity for all Nebraskans. I won't repeat a lot

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of what of has been shared today, except from our perspective to share that some of the overall Nebraska picture, where we look at this bill in context with. In 2017, Nebraska posted the fifth-lowest unemployment rate in the nation, which is great. However, we also ranked 48th in the nation for workers over 18 who had more than 1 job, and the bottom 10 for average annual wage. So nearly one-third of all jobs in the state pay below the poverty level. Combined, these factors point to hard times for Nebraskans in terms of our employment and income, unless we commit to innovation and education and training for our work force. You'll notice some of the numbers are not quite matching up with Senator Bolz's numbers, I think we got some outdated information. But overall, the general trend stands that this was underspent last year. And as we expect it to grow, we do see a lot of room for this expansion. Let's see. So just quickly, we know that these jobs are in demand in our communities statewide. And just another quick fact or two, the Department of Labor estimates that by 2022 58 percent of Nebraska's overall labor market will be made up of middle skills jobs like the ones that are encompassed in this gap program, but only 48 percent of Nebraskans will be trained to meet the demand at our current status. So this skills gap has the potential to draw other businesses to other communities and reduce our productivity. I'll also add from our perspective that many of these positions, these jobs that are in demand are often looked to be filled by our adult education population, and these are adults who generally go back to school with lots of barriers that first-time students don't necessarily have. So competing priorities with things like financial, often have families and parents. So what we can do to help those individuals go back to school and get trained up to support our economy is the least we could do. Finally, this bill would draw on existing funding and use existing structures to allow more Nebraskans the chance to pursue their education. And for these reasons, we urge the committee to advance the bill and the amendment as written. [LB917]

SENATOR GROENE: Do we have any questions? Thank you. [LB917]

ERIC SAVAIANO: Thank you. [LB917]

SENATOR GROENE: Any more proponents? We have received no correspondence, proponents or opponents or neutral. Opponents? No opponents, neutral? Do you want to close, Senator Bolz? [LB917]

SENATOR BOLZ: Just very briefly, I want to reiterate that while the program is underspending we have seen the appropriate uptick. I think this bill hits the right balance in terms of expanding program eligibility and fully utilizing the amount appropriated without going too far and recognizing that utilization will continue to increase. The other thing I wanted to mention briefly is that the annual report identifies that the three or four top areas of use included health services, precision metals and manufacturing, and construction. And those are some of the areas that are the greatest demand in our economy overall. And while some of these certifications may be entry

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level, all of them are in demand in the economy and have a pathway for advancement. So I would really appreciate your advancement of LB917. [LB917]

SENATOR GROENE: Senator Kolowski. [LB917]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Senator Bolz, are any of these programs connected directly to labor as far as any of the unions, iron workers, electricians, anyone who is...are they entry level into some of those, and are there connections with those groups as well? [LB917]

SENATOR BOLZ: That's a great question. Some of the examples of programs that would be eligible under the bill include things like shield metal, arc welding, construction safety, metal cutting, blue print reading, so all of those things are related to the trades. And so I think these kinds of programs feed directly into the interest and the availability of individuals to participate in those industries and areas. [LB917]

SENATOR KOLOWSKI: So if they're not connected directly, they do feed into it? There's coordination between those? [LB917]

SENATOR BOLZ: I can't speak directly to whether or not there's a specific coordination other than the skills and abilities that they're learning through the certifications and programs may lead them to an apprenticeship or may lead them to a job in a union shop. [LB917]

SENATOR KOLOWSKI: Many of us had lunch with the union group in town right now that's meeting. And they talked about the program they have with veterans. And it's the helmets to hardhats program that they bring people in, highly motivated service-experienced people, and connect them to some of these jobs that fit very nicely. Thank you. [LB917]

SENATOR BOLZ: Thank you. [LB917]

SENATOR GROENE: Do you know with the carry-over money from fiscal year to fiscal year, does it go back to the General Fund or does it carry over into this fund? [LB917]

SENATOR BOLZ: Because it's lottery funds, it can only be used for the purposes defined in the lottery statute. So some of the other purposes in the lottery funds are the Nebraska Opportunity Grant, after-school programs, you're familiar. We may be able to pull some extra lottery funds to smooth over some of the needs in higher education to make up for some of the challenges we have on the appropriations side of the house. [LB917]

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SENATOR GROENE: By statute we can't, I mean, it's by a percentage or by dollar amount. [LB917]

SENATOR BOLZ: Right, but we could pull some of the lottery funds into the existing program areas to make up for shortcomings. So the dollars, to the greatest ability that the Appropriations Committee can do so, we'll make sure that they get out the door. [LB917]

SENATOR GROENE: So the Appropriations Committee can skirt what we passed here and move money around in the lottery fund? [LB917]

SENATOR BOLZ: I don't think I'm communicating as well as I could. Phil Hovis in the Fiscal Office could explain the mechanics of it better, but if there are extra dollars in lottery we can sometimes put them back into the purposes under the underlying statute. [LB917]

SENATOR GROENE: I'll talk to you later about it. [LB917]

SENATOR BOLZ: Sounds good. [LB917]

SENATOR GROENE: Thank you. Any other questions? Thank you, Senator Bolz, for bringing the bill. [LB917]

SENATOR BOLZ: Thank you. [LB917]

SENATOR GROENE: That ends the hearing on LB917. We will start LB1094 by Senator Hilgers, will introduce his bill. [LB917]

SENATOR HILGERS: Thank you, Chairman Groene and members of the Education Committee. My name is Mike Hilgers, M-i-k-e H-i-l-g-e-r-s, I'm the senator representing District 21, which is northwest Lincoln and Lancaster County. I'm here to open today on LB1094, which is intended to encourage the widespread adoption of entrepreneurship-focused training and education materials in our schools, along with financial literacy training in our schools. And I think it's sort of starting from first principles, I think both are incredibly important and would add a lot of value to our communities. As from 1995...I'll focus on entrepreneurship first. Since 1995, small businesses have created 64 percent of the jobs in the United States, new jobs in the United States. In my experience, small businesses tend to be pretty closely tied to their community, they are tied to the welfare of their employees and their personnel. If you look at companies like Hudl in Lincoln, states that tend to have large companies, those companies more often than not are ones that were created homegrown and not recruited from other states. But

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despite the importance of small businesses to I think the fabric in our community and our state and nation, there are a number...far more small businesses than not fail. And I think in part that's because starting a small business is incredibly difficult, it involves a number of significantly complicated questions for which I think the vast majority of people are not sufficiently trained to do. As a small business owner myself, and one who has started a number of small businesses before my current law firm, I know this firsthand. I've actually had a fantasy football draft app business, I had a catering business, I had a healthy meal delivery business at one point, I also had a beach box vending business at one point. And none of this...although the schooling I had was excellent, I was educated in Nebraska schools, there was very little focus on how to start a business. So the questions of, you know, what legal entities should you have, the difference between a C corp or an S corp, LLC; how do you create a business plan; how do you determine your market, pricing costs; what's the difference between fixed cost, variable cost; how do you think about debt, lines of credit; how do you think about hiring new employees? Really, the list goes on and on. And those questions in many cases are not answered until you actually do it. So I think that there is a tremendous amount of detail knowledge that goes into starting a small business, and I think in this regard many states around the country in my research--and I would include Nebraska, I think we're ahead of most, fall short of where I think we should be in terms of teaching our kids how to start small businesses. The second piece of this is the financial literacy piece, and the recent data that I saw reflects that the United States is behind the worldwide average in financial literacy. And I think we can...I would submit that we can all agree the importance of financial literacy, a sound grounding in financial literacy, for Nebraskans in leaving a sound, you know, being able to deal with the complexity of our modern world. I think, you know, when I spoke with my parents about this and others even when I was growing up, financial literacy meant how do you balance a checkbook. I think the types of questions that need to be addressed today are significantly more complex in some regards. You know, thinking about 401(k)s, retirement, budgeting, student loans, the time value of money, insurance, and the like. There was a recent study in my research from FINRA that actually compared, looked at states that mandated financial literacy standards and the impact on credit scores for a variety of cohorts in those states. And according to that research, there was a statistically significant connection between introducing standards and (inaudible) scores in their community. So I think these are incredibly important. I think either in the case of financial literacy the data showed that instituting these standards can have a significant impact. And I think in the case of entrepreneurship, my instinct and intuition would show that these standards would help strengthen our small business owners and the future of our jobs and economy here in Nebraska. None of that is to say, however, that Nebraska hasn't done quite a bit on both of these fronts. And the research in this bill, I've recognized that Nebraska does have, especially within the social studies standards, financial literacy aspects to our curricula. There are a number of schools that I have spoken with, Senator Kolowski, off the mike. In particular, Millard and LPS, that actually have quite a bit on the entrepreneurship piece. So there's quite a bit in Nebraska that we're already doing. I think we can do more. I would ask this committee to not take any action on this

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bill, and that's for two reasons. One, as I began my research, it really became clear to me that determining the best...sort of the best way forward in Nebraska was a multi-variable, multifaceted question. So for instance the FINRA study that I mentioned to you before, it studied a number of states, among them Georgia, Idaho, and Texas. Georgia, Idaho, and Texas all had statistically significant increases in their credit scores for the students who took the courses, but they all had different schemes and they all had different level of increase. So for instance some of the questions that they looked at, and actually reached different answers, were: Should the sample curriculum include a stock market game simulation; how long should the course be, should it be semester-long or year-long; how intense, under this intensity ranking that they had, should it be; should it be very intense, moderate intensity, or low intensity; should it be a required course for graduation? There were a number of questions that I think merit investigation to determine what may be the best system for Nebraska. So that's one reason I think to hold off on this bill at the time. And the second reason is one I touched on already, which is Nebraska schools are already doing a number of things on both fronts. And so I think I'm very much a measure twice, measure three times, cut once type of person. And if we're going to encourage a widespread adoption of these curricula in Nebraska, I think I would like to have a better understanding of what the schools are doing now, and how a program would fit within what Nebraskans are already doing. So in that regard, I've already mentioned this to Senator Groene before, I do intend to introduce an interim study on this topic over the summer and work with a number of other interested stakeholders. Some of whom I've already spoken with, including some I think will speak today--the bankers, the Association of School Boards, the NSEA, the chambers of commerce, and others, with the intent of bringing back something that will really fit Nebraska next year. So I very much appreciate the opportunity to be here and open on this bill and begin what I think is a very important conversation for the future of Nebraska. I'm certainly willing to take any questions that the committee may have, and I'm very grateful to be here today. Thank you. [LB1094]

SENATOR GROENE: Senator Pansing Brooks. [LB1094]

SENATOR PANSING BROOKS: Thank you for coming, Senator Hilgers. And this is a really good bill, it's a great discussion for us. As one of the founding partners of a small business that has directly worked in small business through our state in helping small businesses, it's clear that this is needed and necessary. Have you...did you think at all about doing something with the professional schools, because that's one of the areas, I mean, when we represent professionals who are attempting to start their own business, not necessarily lawyers, but lawyers too, they need help in these areas. And have, you know, you may be a really good doctor or, and I'm not picking out doctors necessarily, or you may be really good. It's just the professional schools need help with this as well, and I think it's so important to, you know, have a strong basis and understanding if you're starting the business what in the world that all entails. And you may be really great at being a doctor, but that doesn't mean that, you know, I think that the professional

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schools need some help with that as well. Have you looked at that at all or considered that, or can you expand that into your interim study which is a great idea? [LB1094]

SENATOR HILGERS: Well, thank you very much for your comments, Senator Pansing Brooks. And let me say personally, you and I have had a number of conversations about what it's like to start a law firm and all the difficult decisions you have. And I think from that experience I can tell you at least, I haven't studied this specifically, but I know that in my experiences law students are woefully unprepared to start their own law firm. And from a family of physicians, I would also submit that physicians are also woefully unprepared to start their own businesses as well. So I had not initially thought of including this within the study, but I think it's incredibly important...those are the folks who are maybe most likely to have an imminent move to create their own business. And Senator Pansing Brooks, I would be delighted to add that to the study and make that a focus as well. Thank you very much. [LB1094]

SENATOR PANSING BROOKS: Thank you. [LB1094]

SENATOR GROENE: Senator Hilgers, did you happen to read the hearing we had yesterday on LB1069 or read Senator Brasch's bill? [LB1094]

SENATOR HILGERS: Senator Groene, I saw some of the new reports, I didn't see the hearing. [LB1094]

SENATOR GROENE: Well, I didn't mean to read. But have you read LB1069? [LB1094]

SENATOR HILGERS: I saw it. Yes, sir. [LB1094]

SENATOR GROENE: And I think you would agree with this, Senator Brasch expands the definition of social studies and standards too, because now it's just social studies, to include civics, history, economics, financial literacy, and geography. So that would be a good start to put that, because they're going to be doing the standards, the Department of Education will, for social studies here in the next year-and-a-half. So you might look at supporting that bill. [LB1094]

SENATOR HILGERS: Thank you, Senator Groene. What I do know in my research that financial literacy is in some of the social studies standards now, and I think one question to ask during the study is to see whether or not it ought to be separate. I know there's additional cost if you take it outside of the social studies context, but... [LB1094]

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SENATOR GROENE: We can do an LR, but this would be a start. [LB1094]

SENATOR HILGERS: Yeah. [LB1094]

SENATOR GROENE: Because right now, who defines social studies? It's a very wide area of disciplines. [LB1094]

SENATOR HILGERS: Yeah, I would agree with that. [LB1094]

SENATOR GROENE: Senator Linehan. [LB1094]

SENATOR LINEHAN: I'm just going to ask this because I...do we still have accounting in high school? Do they still have accounting? [LB1094]

SENATOR HILGERS: As a separate course? [LB1094]

SENATOR LINEHAN: Like a course that you take. [LB1094]

SENATOR HIGLERS: Senator Kolowski is nodding. [LB1094]

SENATOR LINEHAN: Yes, okay. Okay, thank you. Okay, that's...thank you very much. [LB1094]

SENATOR GROENE: Any other questions for Senator Hilgers? Thank you. [LB1094]

SENATOR HILGERS: Thank you. [LB1094]

SENATOR GROENE: Proponents. [LB1094]

DON STENBERG: Good afternoon, Mr. Chairman, members of the committee. For the record, my name is Don Stenberg, D-o-n S-t-e-n-b-e-r-g, I'm the Nebraska State Treasurer, and I'm here today in support of LB1094. For the last five years, I have been working with Nebraska high schools to promote financial literacy. The Nebraska NEST Financial Scholars for High School Program is an on-line financial literacy curriculum created by EverFi and sponsored by Nebraska's college savings plan, the Nebraska Education Savings Trust, of which I am the trustee. Last year, this on-line financial literacy program served 6,643 high school students in



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132 Nebraska high schools. The average knowledge gain, as measured by a pre- and post-test, was 63 percent. The subjects taught by the program included savings, banking, payment types, credit scores, financing higher education, renting versus owning, insurance and taxes, consumer protection, and investing. Last year, NEST also sponsored an on-line financial entrepreneurial program called Venture Entrepreneurial Expedition Program, that is an on-line program that guides students through their personal journey to become an entrepreneur. While starting a food truck business, students learn how to make informed business decisions about product, pricing, hiring, marketing, and even their business pitch to potential investors. This program was in 34 Nebraska high schools last year and served 1,310 students. Pre- and post-tests for the entrepreneurial program showed an average 74 percent knowledge gain. Pre-tests showed that, on average, boys began with a greater knowledge base, but post-tests show that, on average, girl's scores increased more and matched boy's scores at the conclusion of the program. These on-line programs were made available to all Nebraska high schools by NEST at no cost to the schools. It was up to each Nebraska school to decide whether they wanted to take advantage of these programs. The fact that financial literacy knowledge increased so substantially as a result of these programs shows there's an urgent need for financial literacy programs in every high school and grade school in the state of Nebraska. All students when they leave high school will need to understand financial management in their personal lives, including savings, banking, payment types, credit scores, renting versus owning, insurance taxes, consumer protection, and investing. I support LB1094 as an important step to promote high quality financial literacy education in Nebraska high schools and grade schools, and I hope that one day in the not-too-distant future either the Legislature or the State Board of Education will require every Nebraska high school student as a requirement of graduation to complete a financial literacy course. And with that, I would be happy to answer questions. [LB1094]

SENATOR GROENE: Senator Linehan. [LB1094]

SENATOR LINEHAN: Thank you, Chairman Groene. Are either of these courses included in the accreditation from the Nebraska Department of Ed? I mean, thank you for your work. I mean, it's amazing, those are great numbers. Do you know if the Department of Ed gives students any credit toward graduation? [LB1094]

DON STENBERG: I'm not sure if I totally understand your question. At about this same time five years ago, at about the same time we were launching this program for high schools, the State Board of Education did adopt a general requirement for the teaching of some financial literacy as part of social studies or business courses. And frankly, I think that helped encourage high schools to take a serious look at our program, and probably some schools that would not have used it otherwise were happy to take advantage of this program. Those are...it's a very general standard, so there's no real uniformity throughout the state in how schools handle that or what they teach or how much they teach. [LB1094]

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SENATOR LINEHAN: Okay. Thank you very much, sir. [LB1094]

SENATOR GROENE: Any other questions? Thank you. [LB1094]

RICHARD BAIER: (Exhibit 1) Good afternoon, Chairman Groene, members of the Education Committee. For the record, my name is Richard Baier, R-i-c-h-a-r-d, last name is B-a-i-e-r. I appear before you today as the CEO and lobbyist for the Nebraska Bankers Association, but I am also wearing several other hats as treasurer for the Nebraska Council on Economic Education as well as the chair of the board of directors for Invest Nebraska, which is a statewide initiative focused on improving our ecosystem for entrepreneurs. We are pleased to offer and work with Senator Hilgers on the concepts contained in LB1094. The Senator's commitment to shining light on this issue is very important to us. All we have to do is look at situations like the student loan crisis in our state or employment issues that are occurring with the next generation who are having difficulty finding jobs because of their poor credit scores to really understand this issue and why it's so important to focus on personal finance. As an individual who has a couple of teenagers at my house who have taken personal finance classes, I would tell you one of the challenges is that I had a...my son who took his class, it was part of his social studies curriculum, my daughter spent an entire semester focused on personal finance. And I would tell you the difference in the background that they received was significant. And we joke at my house, my son is getting ready to start medical school, and the joke is...back to your question, Senator, my daughter who had the personal finance class will someday run his clinic because he won't know how. So that's part of the joke that goes on at our house. And so, you know, from the NBA side, I would tell you we have a 128-year history, and we have during that time consistently talked about the importance of financial literacy. Our members continue and routinely make...continue to routinely make presentations on financial education and literacy and they do it through local schools, they do it through youth-related organizations, excuse me, like the Boy Scouts, 4-H, and a variety of others. As chair of Invest Nebraska, I also have the opportunity to interact regularly with current and future Nebraska entrepreneurs. One of the characteristics that often separates the successful ones from the not-so-successful ones or the rest of the pack really is determining which of those entrepreneurs understands the connection or the coordination between their idea and their innovation in business and finance. Those are the ones that tend to make it and be most successful. I have handed out for you a letter also from Jennifer Davidson, who is the director for our Nebraska Council on Economic Education, which shares with you some data on some recent studies that have been completed, as well as a study that they are currently working on looking at financial literacy in Nebraska. And what you will find through this research, that of the 244 school districts in Nebraska currently 194 of those are offering personal finance as a course. So a significant number. Of those, 92 require that for graduation. So, Senator, I have been spending a lot of time on this issue over the last year, and I would tell you that Millard is an example that is very committed to this topic and we see it reflected in some of their test scores. So we do appreciate that. Interestingly, and of note, there are currently 17 states that require personal

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finance of their students for graduation. So 17 states in the country already require that. And while we recognize that the proposal and the ideas outlined in LB1094 would require a significant change in the way we address this topic, we do look forward to working with both Senator Hilgers and with this committee to bring this issue to the forefront as we move forward. Again, I want to thank Senator Hilgers. And with that, I would be happy to answer any questions or take any comments. [LB1094]

SENATOR GROENE: Senator Kolowski. [LB1094]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Richard, thank you for your presentation today and comments on that. The other aspect to correlate perhaps in future references would be the strength and experiences that the kids in the distributed education program in their schools. [LB1094]

RICHARD BAIER: Absolutely. [LB1094]

SENATOR KOLOWSKI: If they have a really good financial background in their curriculum and the students are moving in that direction or taking some of the accounting 1 or accounting 2 or different levels of accounting through the curriculum, usually they also shine in the DECA program in general. [LB1094]

RICHARD BAIER: Absolutely, yeah. [LB1094]

SENATOR KOLOWSKI: As well as others that we have that really branch out and give them a great chance to be active in a club organization and have a sponsor, and then be part of the high school competitions on the state level and national level. And we've had national winners in Millard for decades. And that really is proof in the pudding, thank you. [LB1094]

RICHARD BAIER: Yeah. And we do have a lot of bankers who were actually participating with the DECA advisers, and so it is an important piece of that. [LB1094]

SENATOR KOLOWSKI: Thank you. [LB1094]

SENATOR GROENE: Back in my day they called it business class. They don't have business in schools anymore? [LB1094]

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RICHARD BAIER: Well, Senator, one of the challenges that I've been looking...and I wanted to thank the Department of Ed, I mean, they started building financial literacy into their social studies standards in 2011. So they've recognized the importance of that and we look forward to working with them. I would tell you one of the challenges is in some cases what we've found is the topic has gotten so diluted and the kids have so many choices that they may go to accounting 1 and 2 but they never get personal finance. So they never get back to insurance and deductibles and co-pays. And we really do think...I know our board is committed to seeing, that is a required topic for future students because we think that foundation and that basis so important. So whether we want to call it business and entrepreneurship, personal finance, any of those, that foundation we think is important before you start to build. [LB1094]

SENATOR GROENE: Personal finance is paying your rent, balancing your checkbook, maybe getting a job so you got some money to manage. [LB1094]

RICHARD BAIER: That would be an important issue, absolutely. [LB1094]

SENATOR GROENE: Thank you. [LB1094]

RICHARD BAIER: And hopefully pay taxes to the state of Nebraska along the way. [LB1094]

SENATOR GROENE: Thank you. We're on the same side there. [LB1094]

RICHARD BAIER: Thank you. [LB1094]

SENATOR GROENE: Next proponent. [LB1094]

CHRISTINE HIGGINS WILCOX: Good afternoon, Mr. Chairman and committee members. I'm Christine Higgins Wilcox, C-h-r-i-s-t-i-n-e H-i-g-g-i-n-s W-i-l-c-o-x, I'm the in-house attorney and currently serving as the interim human resources director at Union Bank and Trust company. In addition, I serve on the Nebraska Bankers Association board of directors. I'm just here to give you some examples of why I support, and so does the NBA and Union Bank, LB1094. First, I just want to talk about the situation that we run into at the bank time after time, where a person is coming in requesting their first mortgage or their first car loan and we see one of two extremes. Either you have the people who have so much debt that they can't qualify for a loan; or on the other extreme we'll have somebody who hasn't ever even had a credit card before, and as a result they can't get a loan either. Also I work with a lot of start-up businesses, and just like we were discussing earlier, their lack of knowledge of how an entity structure works, and even financial systems. So I see it from all different angles. The next thing I wanted to talk about is the thing

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that's hardest for bankers, and luckily we're no longer in the economic downturn, but when I started at the bank in 2010 a lot of my job was working on work-out credits on both the consumer and the commercial side. Having the background of what it means to actually take out a loan and what that can do to your overall financial status is important. Also just basic things like, what is collateral? What happens if I don't pay my loan? Oh, really, my car is going to be gone? Those are things that maybe for the group I'm speaking to is such common sense, but I'm just here to tell you that by and large people don't know that. The last issue is something now my newer role as the HR director I can't believe, is how people don't save for retirement. We're so consumed with the here and now and that newest iPhone and all of that that we aren't putting money away in our 401(k), even when our employer may have a generous match program. So the more education we can get in that regard as well, as far as how money saved now, compound interest, all of those concepts, and just of the stock market. Yesterday aside, but how it's a great way to invest money and how it can pay us all back in dividends. For all these reasons, I support LB1094. With that, if there are any questions. [LB1094]

SENATOR GROENE: Any questions? Thank you. [LB1094]

CHRISTINE HIGGINS WILCOX: Thank you. [LB1094]

ERICA WASSINGER: (Exhibit 2) Good afternoon, I'm Erica Wassinger, that's E-r-i-c-a W-a-s-s-i-n-g-e-r. I'm a senior director of entrepreneurship and innovation at the Greater Omaha Chamber, and I am proudly a co-founder of the Startup Collaborative. So I wanted to give you context today as to my role within the start-up ecosystem, all focused on the entrepreneurship side of it, as my colleagues have seen to have touched pretty deeply on the personal finance side. We celebrated our one-year anniversary last year as the Startup Collaborative and we are intentionally designed to improve the odds of start-up success. So much so that we ask everyone who interfaces with our organization to commit to radically improving the odds of start-up success. So as you heard earlier, it's well-known that young companies, high-growth companies, those that have some sort of software-centric nature to them, are essential to job growth, wage growth, and increasing our standard of living, which is something I think we can all agree that we would like to see here. Our organization specialized in these high-tech, high-growth potential sectors of entrepreneurship specifically, we're not necessarily small business as we are as much entrepreneurship. We are looking to build more Buildertrends, more Hudls, more Hayneedles across the state of Nebraska, not just relegated to Omaha and Lincoln. We're deeply committed to catalyzing these companies and also the jobs that they create. It's also known, and was stated earlier, that the majority of start-ups fail, 9 out of 10 by some accounts. So that could work in the coast, I think we can all agree they have enough volume to see 9 of their 10 start-ups fail, but unfortunately we don't have that volume here. So if 9 of our 10 entrepreneurs fail and never pursue another entrepreneurial risk, we're all kind of at a disadvantage here. So we want to change that. We want to improve these odds here and we want to do it the Nebraska way. So the

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first step in our process is demystifying the journey of entrepreneurship. It shouldn't be this difficult to achieve thing. It should be sequential, solving the one problem ahead of you, finding product market fit, and if you found that holy grail of product market fit then building a business around it, hiring your talent, incorporating, taking out loans and/or venture to go for it. Having this entrepreneurial mindset and the easy-to-understand nuggets of how to start an entrepreneurial pursuit is something that behooves all of us. It creates opportunities, it encourages problem solving, and I like to see the economic booms that it also comes with. So we launched last January, like I said. We have supported 100-plus entrepreneurs across Lincoln and Omaha since then. They represent all types, they look a lot like you and I. And I'm really thankful to say we even have some high-schoolers running out concepts with us right now. They are spouses, they are students, they have full-time jobs, they have dependents, and they are doing this in the nights and evenings to find product market fit. Once they find it, they move forward. We need to invest in this type of entrepreneurial education, something that is de-risk, that is sequential, that is simple and easy to understand. You see, we actually do think there is a compass and a map to starting up. In the packets that I shared with you, I have shared our proprietary approach to starting up that does make it quite simple. It's sort of this new era of business creation around here, right? You don't need the 100-page business plan to figure out if customers want to buy what you're selling quite yet. So you're probably wondering: How does this relate to any of my students? Well, I'm worried about pipeline, and I think you are too. I think as we look at our students, wouldn't it be great if they all graduated knowing how to launch a company, if they had gotten pretty good at the steps of finding product market fit, talking to customers early, felt more comfortable with that? So at the end of graduation, which is something we say to all the college students we work with and all the high school students we work with, wouldn't it be fantastic if you had two offers on the table? You had one from a wonderful, large company with all the bells and whistles, but you also had sustainability and scalability and cash flow from a company that you've created as well? I actually see that future, I see that happening here in Nebraska. So we've partnered with Omaha South, we've worked with Westside High School, we've worked with the University of Nebraska's CodeCrush program with middle-schoolers, we've even worked with kids out of Pilger and Norfolk to start to run this out, right, practice what we preach. So with those students, what we do on their behalf is take them through easy to...oh, sorry, I apologize. [LB1094]

SENATOR GROENE: Could you finish up? [LB1094]

ERICA WASSINGER: We take them through the easy-to-map process of levels one, two, three, and four, and teach them how to become an entrepreneur. So we support it. Any questions? [LB1094]

SENATOR GROENE: Any questions? Thank you. Any more proponents? We received no letters of proponents, opponents, or neutral on LB1094. Opponents? [LB1094]

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JAY SEARS: (Exhibit 3) Good afternoon, Senator Groene and members of the Education Committee. For the record, I'm Jay Sears, Jay Sears, I'm representing the 28,000 educator members of the Nebraska State Education Association. You can probably tear up the testimony that you're about to receive so. First of all, I wanted to thank Senator Hilgers and his staff for contacting us and giving me an opportunity to explain to him why we had opposition to his bill. And having heard his opening that he wants to no action on the bill but wants to continue doing his study and working this summer in an interim study to make sure we have all the right pieces and put what we can in the social studies standards and then look and see what's happening in the state of Nebraska. I think that's a great plan and the NSEA is willing to work with Senator Hilgers on his study and anybody else that wants to get involved. So thank you very much for bringing it forward. [LB1094]

SENATOR GROENE: Any questions? [LB1094]

JAY SEARS: I guess that's a soft opposition. [LB1094]

SENATOR MORFELD: As long as it's not neutral testimony. [LB1094]

JAY SEARS: I understand that one. And I don't have the power to change what I wrote. You taught me a lesson last year, I understand. I get where you're coming from. [LB1094]

SENATOR MORFELD: (Inaudible). [LB1094]

SENATOR GROENE: Any neutral? Any more opposition? [LB1094]

JAY SEARS: Thank you, Senator. [LB1094]

SENATOR ERDMAN: Thank you. [LB1094]

SENATOR GROENE: Any neutral testimony? [LB1094]

JOHN BONAIUTO: You don't see me at this position very often. John Bonaiuto, B-o-n-a-i-u-t-o, representing the Nebraska Association of School Boards. And we visited with Senator Hilgers before committee, so knew that the direction he wanted to go was to study. You know, I think that introducing the bill to get the conversation started was the key here. And we fully support the direction he's headed, and we appreciate the opportunity to work with him and that he will work with the Department of Ed, State Board, take a look at standards, how everything will fit,

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and we're not necessarily writing curriculum in statute. So with that, I will conclude my neutral testimony. [LB1094]

SENATOR GROENE: Any questions? Senator Erdman. [LB1094]

SENATOR ERDMAN: Thank you for coming. Thank you, Senator Groene. So I would conclude you're supporting the bill. [LB1094]

JOHN BONAIUTO: We support the direction it is...see, we did not testify to the bill, it was testifying...really, we're supporting it moving into the interim. That's why it was neutral, because that's where it's headed, is to a study. [LB1094]

SENATOR ERDMAN: Do you have a standard transmission car? One with a clutch? [LB1094]

JOHN BONAIUTO: You know, I did. [LB1094]

SENATOR ERDMAN: You know, what you go when you have it in neutral? [LB1094]

JOHN BONAIUTO: You know, usually right where I'm going right now: nowhere. [LB1094]

SENATOR ERDMAN: You got that right. [LB1094]

SENATOR KOLOWSKI: Unless you have gravity. [LB1094]

SENATOR GROENE: Senator Linehan. [LB1094]

SENATOR LINEHAN: Thank you, Chairman Groene. Wouldn't it be your position, or the State School Board's position, your group's position, that nothing should be in statute about what standards are in schools? [LB1094]

JOHN BONAIUTO: You know, I think having... [LB1094]

SENATOR LINEHAN: Are there any standards in statute right now? [LB1094]

JOHN BONAIUTO: There are laws that direct the State Board... [LB1094]



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SENATOR LINEHAN: But are there any laws on the books right now that say children will be taught this course? Like a literacy course or a course on civics, in statute? [LB1094]

JOHN BONAIUTO: I do not believe there are. [LB1094]

SENATOR LINEHAN: Thank you. [LB1094]

JOHN BONAIUTO: But I'm sorry, I was trying to follow. But I appreciate the question. [LB1094]

SENATOR GROENE: Any other questions? Thank you, sir. [LB1094]

JOHN BONAIUTO: Thank you. [LB1094]

SENATOR GROENE: Any other neutral? Would you like to close, Senator Hilgers? [LB1094]

SENATOR HILGERS: Just briefly. Thank you for all the testifiers who showed up today. In particular, thank you to Treasurer Stenberg. Mr. Baier, in particular, I've worked with him since I introduced the bill, the Bankers Association has done a tremendous amount of work actually on this issue that I was actually unaware of before I introduced the bill. Ms. Wilcox, I appreciate. The only additional point I'll make, and I think the testifiers really hammered home the importance of financial literacy, is that entrepreneurship is not something that's very intuitive. It's not, the decisions you have to...I mean, part of it's intuitive. You want a product or a service that you can sell to people and make money, that part is intuitive. But actually, the foundation for making those types of decisions I think is not itself intuitive in many cases. And so I think in both regards I think it's very important, but particularly with the entrepreneurship piece, if we could figure out how to do that I think it could really help set the foundation for the state going into the future. So thank you. [LB1094]

SENATOR GROENE: Any questions? Thank you. [LB1094]

SENATOR HILGERS: Thank you. [LB1094]

SENATOR GROENE: We're going to take just a couple minute break and we'll get to the really... [LB1094]

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SENATOR GROENE: We will begin the hearing on LB1103 by Senator Friesen. [LB1103]

SENATOR FRIESEN: Thank you, Senator Groene and members of the committee. My name is Curt Friesen, C-u-r-t F-r-i-e-s-e-n, I represent District 34. And I am here today to present LB1103. And if you look at LB1103, it is a very simple bill. It's short and it's to the point, and it seeks to ensure that every district receives a minimum amount of state aid. So when we go back to my first year here, property taxes were a pretty pressing issue. And you have all seen what the value has done in ag land. And when I've talked to anyone about the TEEOSA formula, we've a lot of times on the floor said the TEEOSA formula is broken. So I was visiting with Matt Blomstedt and when I said those terms he said, no, TEEOSA isn't broken, it's working perfectly. Except, it couldn't account the increase in land values that no one ever anticipated. And so I'll agree with that premise, that the TEEOSA system or the formula is working but it just couldn't handle an unexpected, severe rise in prices. And it could have been a spike in home prices, it could have been a spike in commercial, it could have happened to anything, but it happened to happen to ag. And so when I look back historically, ag land prices historically will rise at about 5 percent a year. And so what happened is we had a \$8 corn and ag land prices skyrocketed way past anyone's imagination. And so if the TEEOSA formula could have compensated for that, if...you know, we have talked a lot about one of the Governor's bills had a cap in ag land of 3.5 percent. But let's say for instance we would have capped it at 5 percent, which is the historic growth of ag land. If we would have done that in 2015, I believe, it would have cost the state \$166 million more in TEEOSA state aid because it would have been trying to hold those values in check and make TEEOSA work the way it was supposed to work. But we didn't have caps in place. And so therefore ag land has disproportionately borne a huge share in how we fund education. And I will say it again, and I say it over and over again, I just think as how we fund education is fundamentally wrong these days because of the things that have changed in agriculture, the consolidation we've had. And now you have 2 to 3 percent of the population paying 68 percent of the schools' funding. So I was looking to address that in any way that I could. And so when we started, you know, over the years I have brought numerous bills here and they've all pretty well been stuck in committee. No one has ever...we've never sent them out, and that's okay. We've built a portfolio right now where we have a lot of things on the table. We have a lot of different ones, we've tried the allocated income tax in the TEEOSA formula. Some of you were supportive there when we tried to do that on the floor. And so again, the TEEOSA formula, if it would have been probably fully implemented like it should have been, if we would have been at the 20 percent allocated income tax number, if it could have somehow compensated for a spike in prices, whether now that's going to be...our next one is going to be residential properties or land prices. If it could have compensated for that, we wouldn't have had this problem. So I look at my tax bill that I'm trying to do business under, and you have, you know, close to my district you have property taxes that amount to over \$100 an acre, and right across the fence line it's \$40 an acre. So you have a \$60 dollar an acre profit margin for one farmer across the fence line versus the other one in a different school district. I farm in...I'm kind of in

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the Bermuda Triangle, I farm in four different school districts. So I'm fortunate enough to be able to vote in only one of those, or unfortunate enough. And so the other three pretty well I have no say in what they do. And recently there was a small school who did an \$8 million bond issue and they redid their elementary wing and built a new regulation gym. And when you look at the votes, it was the urbans were just outnumbered us rural people. I didn't have a chance to vote in that bond election, but it was pretty well down the lines, especially when they did it in two components and so the gym especially was pretty well on the rural farmers versus urban. And the school district is located probably eight miles from me, a larger school district. And so I keep looking at the property tax issue, and I'm always been trying to find a way that we can somehow address this problem. And it's taken years to develop, so I'm willing to have it take a few years to fix. I'm not looking for an instant fix. But what this bill does is basically it says that no school shall receive less than 25 percent of the basic funding in the TEEOSA formula. And so when you look at the TEEOSA formula, you have the needs minus resources. Well, inside of the needs there is a number that you would call basic funding, and that basic funding takes into account like 19 different factors. But each school district then would have its own separate basic funding level. And so what my bill does is say that each school district in the state shall receive no less than 25 percent of that basic funding level. And so my goal in the long-run, even though the bill doesn't state this, my goal would be that we could push that up to 75 percent of that number. And at that point, I would say that possibly we are at the point where the state is funding the cost of the K-12 free instruction of a student. And we could leave the rest of it to be balanced on the backs of property taxpayers and therefor we would now have the state at least fulfilling its obligation, I would say, to some extent, of providing that free instruction. And so the cost of it, and the reason there's no pay-for in the bill, is that in the past every time someone puts something in there you get somebody that opposes something like that. And I just wanted to tell the committee basically that I'm open to any way that you would like to fund it, I'm willing to work with you. We have so many different proposals that have had hearings in the past that there is almost no avenue blocked that we can't go forward on to find a way to fund this. And so even if, you know, if we look at now if I wanted to repurpose the personal...or the Property Tax Credit Relief Fund, if I take that fund I would use...to reach 25 percent I would use up \$197 million of that fund. And at that point, every school in the state would have 25 percent of its basic funding funded by the state. So you can kind of see where we're headed if we could ramp this up, you know, and if we could raise \$200 million I could start the program and basically leave the Property Tax Credit Relief intact. And as we would generate more revenue, either by revenue growth or any other numerous ways, at some point in time we could sweep the Property Tax Credit Relief Fund into this and hold everyone harmless. If I take the Property Tax Credit Relief Fund, all the nonequalized school districts will win and the urban centers will lose all their Property Tax Credit Relief Fund and will see no benefit. So I was reluctant to take that, because it doesn't hold everyone harmless. So my goal would be that we could raise \$200 million, \$250 million and at some point we could fund at that point 25 or 26 or 27 percent of the basic funding of a school. And then through either date in time components, like the Governor wants to do

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with his bill, we could continue to add funding to it in the next four, five, six, seven years. I don't want to take 13 years to get there. But then we have focused on what I think we need to focus on, and that's the cost of an education. Those are the, I guess, the numbers that me, as an agricultural producer, are more worried about. So...the path is open here. And if we would...I mean, if you go to 50 percent of the basic funding needs, I think the bill would be around \$585 million. And at some point in time, without more modeling I couldn't tell you exactly where, but at some point in time the TEEOSA formula itself would start to come down. So the \$960 or whatever million we spend right there now would eventually come down as we reach that 75 percent level. Now, there are still some schools I think would need maybe some extra state aid, I don't know. But those are numbers as we get into it we could, you know, it's going to be a few years down the road that we can look at. But at some point in time, if the state is picking up the free cost of an instruction to that student, the TEEOSA formula wouldn't be near as important any more. So there's that money would be available when it hits some point. Right now, you know, as you know, we have about 70-some percent of our school district does not receive any equalization aid. And so even with only \$197 million I'm reaching all of those schools with a basic level of funding. And so again, I guess I'm asking the committee, and I'm open to any suggestions. I'm willing to I guess work with any other bills that are out there, if we can include the allocated income tax in a portion of it. I want to leave no stone unturned, so to speak. And I'm just looking for a path forward here where we can address the imbalance I guess that we currently fund our K-12. And with that, I would be open to questions. [LB1103]

SENATOR GROENE: Any questions? Senator Erdman. [LB1103]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you, Senator Friesen, for bringing this. I listen to your comments about the election that was held in that district you're not eligible to vote in. I'm in a similar situation. I think it's peculiar, one time a long time ago, you know, they fought this war and threw some tea in the water and they were all upset about something. And it was called taxation without representation. And that's exactly what they're doing now. But the question was is did they have a special election for that or was it at a regular primary or general? [LB1103]

SENATOR FRIESEN: I think it was a special election. [LB1103]

SENATOR ERDMAN: They seem to do that, and then they get less turnout and then it makes a bigger difference on most people who vote that live in town. You know what I'm saying? It just it's a better situation to have a special election than have it right at the general time. But the question that you said, or the comment you made about going from 25 to 75 and that would about accomplish what the state should do as far as free instruction, are you assuming that that

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other 25 percent is extracurricular or what are you making the assumption there about?  
[LB1103]

SENATOR FRIESEN: Well, when I have talked to Matt Blomstedt, at least, he said it was difficult for them to come up with an exact number of what they would say is the cost of free instruction of a student. So that number, it's a number I chose. It doesn't necessarily represent that, because he said it would be difficult to get at those exact numbers. But when I compare it to anything else that everybody has talked about as far as property tax relief, and when they start talking about student funding, I think we all end up at about that same number. [LB1103]

SENATOR ERDMAN: Okay, thank you. [LB1103]

SENATOR GROENE: Did you have a question? [LB1103]

SENATOR LINEHAN: I do, but go ahead. I'm still... [LB1103]

SENATOR GROENE: I'm with you with the foundation aid, but we got the same situation. You are not helping the farmer with the \$100 an acre, you are helping the guy with the \$40 an acre. [LB1103]

SENATOR FRIESEN: I'm just looking at each school district to make sure that they receive that basic level of foundation aid so that the state has their ability to... [LB1103]

SENATOR GROENE: I will give, because I have relatives around Schuyler, those guys are \$120 an acre because they're an equalized district, all right? They are fully equalized so the 25 percent, they're giving way more than 25 percent now to the state aid, so they wouldn't get anything. [LB1103]

SENATOR FRIESEN: Not at the beginning, no. [LB1103]

SENATOR GROENE: So their taxes would remain at \$118 an acre, is that right? [LB1103]

SENATOR FRIESEN: Yes. [LB1103]

SENATOR GROENE: So that's an issue. We're not helping the guys that are really paying the high taxes. [LB1103]

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SENATOR FRIESEN: Not at the beginning, no. [LB1103]

SENATOR GROENE: You know, last year, and you and I have worked on issues because we're both on the same page on the inequity of the TEEOSA formula as far as the funding. That on the need side it's working just fine. But if you did take the...you know, the Governor now has completely changed his attitude about using the Property Tax Credit Fund. If you use \$195 million, you've got \$45 million there where you could lower the LER across the state and give everybody property tax relief. Do a combination of it. [LB1103]

SENATOR FRIESEN: Sure, to me it... [LB1103]

SENATOR GROENE: The local effort rate in the formula. [LB1103]

SENATOR FRIESEN: It was a starting point, and the rest of the fund could be used for something else. It isn't the case though that I don't always...there is some school districts that would get help. I think York Public Schools, they're right on the edge of equalization, so they would receive some state aid equalization money now where they don't. And they're one of the higher ones in the state. But you're right, not every school district that is in dire straits gets help right away. [LB1103]

SENATOR GROENE: Thank you. Any questions? Senator Linehan. [LB1103]

SENATOR LINEHAN: Thank you, Chairman Groene. And thank you, Senator Friesen, for being here today. I have a couple of questions. I heard you say that Commissioner Blomstedt couldn't give an exact number for basic funding. Could he give a range? [LB1103]

SENATOR FRIESEN: He could...for basic funding he can give me an exact number, but I asked him, I said, what does it cost to provide for the free instruction of a student in the K-12. And he really couldn't come up with a number of what that total cost would be. That's where I started. [LB1103]

SENATOR LINEHAN: Okay. So what is the number we're using here? I'm sorry if I just didn't catch it. What is 25 percent of the basic funding, how much is that? [LB1103]

SENATOR FRIESEN: Well, basic funding is...that was if we do 25 percent it would have cost \$197 million. [LB1103]

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SENATOR LINEHAN: I know, but I'm trying to figure out what we're giving per child, per student. [LB1103]

SENATOR FRIESEN: I did not calculate that out because I wasn't looking at it as a per-child type of subsidy. My other bill, last year I think, was a per-student subsidy basically, or a foundation aid. And there we, I think, if I remember right, we could...I don't have the numbers in front of me, but I think that we could get up into that. I went up to \$5,500 per student, we started out at \$1,500. And that one we did by student and so there were some issues there that people didn't like. So I thought this year I would address it in a different method and look at it as a school funding issue, because in that basic funding portion of the formula I think it takes into account some of the things that are particular to each school district and not just per student. [LB1103]

SENATOR LINEHAN: Okay, that's helpful. But so we're in the \$5,500 range you think? I mean, you can...this is not... [LB1103]

SENATOR FRIESEN: I would guess that if we got up to that 75 percent I would say that you might be in that more like \$7,500 range, but that's an estimate. [LB1103]

SENATOR LINEHAN: So I understand that property taxes are a problem, and they're a problem in my district too. And some of it is because of ag land and some of it is because of homeowners and also commercial property, but if we do something about property taxes, which basically means we find some other state funding to send to the schools, how do we do anything about controlling the costs? Going back to your example of the school district that's, you know, decided to build an \$8 million new regulation gym. If we send more money out, how do we make sure that we don't build more gyms? [LB1103]

SENATOR FRIESEN: From what I understood, most school districts, when I would apply this formula to them, cannot spend any more. It would be a dollar for dollar relief, because if I send them a dollar in state aid they would have to reduce their property tax asking because they're either against a spending lid or some other lid. Now, there are some schools out there that do have room to spend extra money. And for there I would suggest putting on some sort of spending lid or cap or control that does that. Again, I'm open to suggestions. I know Senator Briese in his bill has a method of doing it. Some of those things could be incorporated into this bill because I do want to make sure that it's dollar for dollar relief and not new spending. Because otherwise we end up right where we're back in another 10, 15 years we're back where we're at now. There has to be some sort of way to control that growth. [LB1103]

SENATOR LINEHAN: Right. [LB1103]

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SENATOR FRIESEN: And, you know, they had a bond election, and unless we're willing to let landowners vote or something like that in a district I don't know how you stop that. Because as a rural landowner, we're just outnumbered. [LB1103]

SENATOR LINEHAN: It's the same if you own commercial property. I mean, lots of us Nebraskans own property in a school district or a subdivision or a metropolitan area which they don't get to vote in. So thank you very much, appreciate your time. [LB1103]

SENATOR GROENE: Senator Kolowski. [LB1103]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Senator Friesen are we really simply talking about looking at a redo of the TEEOSA formula, the study from 1990 to this date? We've got 28 years accumulated now of experiences with that. Is it purely the TEEOSA formula, the study of that, or other combinations combined with that that you're talking about? [LB1103]

SENATOR FRIESEN: Well, when I visited with Mr. Blomstedt he told me the TEEOSA formula was working fine. So I'm assuming that the many other functions it has are working fine. But at the way it was designed it couldn't compensate for huge spikes in prices, valuations. And so if that same thing would have happened in residential homes for example, you know, my taxes, the check I write, I won't even talk about the valuation, but if the check I write, you know, it went up 18 percent a year for 10 years. If your residential property taxes, the check you had to write, would have gone up for 10 years could you have sustained that? And that's what I'm trying to...I'm not even trying to address what happened in ag. I'm trying to apply property tax relief basically across the whole system. But the nonequalized schools, just the way the funding works, would receive funding first just because I don't have enough money to address it. If I had more dollars I could address everyone's property taxes immediately. [LB1103]

SENATOR KOLOWSKI: So was that a yes that TEEOSA would have to be looked at within the context of all this? [LB1103]

SENATOR FRIESEN: Well, if they again tell me that it's fine we just have to find a way to keep the spikes from happening to anyone. Whether we...and if the state is going to pick up 75 percent of that funding, there should be no spikes in the need for property tax dollars. If the state is continually putting in 75 percent of the needs, you have now limited what can happen to any property. There will be only 25 percent of their, well, less than 25 percent of their funding would come from property taxes. [LB1103]



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SENATOR KOLOWSKI: And you would not have a problem if every year was \$8 corn?  
[LB1103]

SENATOR FRIESEN: I still would say that a minority now is paying a majority of the tax, and it's not necessarily based on the ability to pay. If you look at the cost of my doing business, that rose quite rapidly too, and that has not come down yet. But in the end, the way we levy property taxes, whether you're a residential homeowner or a landowner, it's not based on your ability to pay that tax. How can I best explain it is that, you know, in 50 or 60 or 100 years ago people saved up enough money to go buy something, they didn't really finance it. Or they financed very little of it. Every one of us now, whether we're buying a home or a piece of land, we're financing it almost to the max. You get a young couple that we're trying to talk back into moving back to Nebraska and they go to buy a house in Omaha and Lincoln and they get pre-approved for a loan. And you know how young people are, you max out that approval and you buy a nice house, and maybe a little fancier and nicer than what you should have bought. But again, are they rich, do they have the ability to pay property taxes if they would have gone up 18 percent a year? No, they don't. It's not a measure of wealth until you have that home paid for. And even now you have people on a fixed income. If residential properties start to rise and ag land prices would drop, that shift is coming back that way and you're going to find that you have a retired couple that is on a fixed income and now suddenly their property taxes are going to be shooting up and they won't be able to live in their own home that's paid for. So it's an issue all across properties, it's not just ag's issue right now. And I think if you look to the future and ag land drops some more, that shift is coming back to residential. And someday maybe the residential homeowners are the ones who are going to be scrambling to find property tax relief. [LB1103]

SENATOR KOLOWSKI: Okay, thank you. [LB1103]

SENATOR GROENE: On the...did you have a question? Senator Kolowski referred back to when the TEEOSA formula was first created in the '90s. And it's been tweaked on the needs side and it's been tweaked on the funding side, has it not? For example, the original TEEOSA formula guaranteed every school district 20 percent of the income taxes collected in that district. That was taken away. Meanwhile, on the needs side, it's poverty allowance. English as a second language has been added to the needs side. But what we're looking at is the funding side and it's created a disproportional relationship. Did you compare if we went back to the 20 percent of the income taxes paid that was originally in TEEOSA versus your proposal? [LB1103]

SENATOR FRIESEN: If we just addressed the allocated income tax portion and went to 25 percent, or to 20 percent like it was intended, I think that was only probably around an \$80 million fiscal note. [LB1103]

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SENATOR GROENE: Thought it was \$350 million that I was seeing. [LB1103]

SENATOR FRIESEN: Well, it depends on how they wrote mine. I guess mine only went to 14 percent versus the full 20. So at 14 percent I can tell you what that number is, and I think that was around that \$80 million number. But yeah, I mean, if we would address the TEEOSA formula from that aspect too. I mean, the allocated income tax, it would then bring more aid out to those nonequalized districts, it would bring your own money back. [LB1103]

SENATOR GROENE: Just to inform everybody, basic funding varies from school size. If you're around 900 students, it's 10 on the top, 10 on the bottom, and you throw out the two...top high, and then it's an average. It's Lake Wobegon, every child is average, what it costs to educate them. And then you add all the poverty...then when you get to your needs, you add your poverty allowance this year, your limited English proficiency, focus school programs, there's a whole bunch of allowances that are added onto the basic funding to create the needs. But basic funding would be the same number used across the state. [LB1103]

SENATOR FRIESEN: Right, but each... [LB1103]

SENATOR GROENE: Not the same number for each school, depending on your size of your school. [LB1103]

SENATOR FRIESEN: Right. But each number has a needs formula number, and a basic funding makes up a portion of that needs. [LB1103]

SENATOR GROENE: If the basic funding goes down at the larger school, they would get a lot more money and it's less costly to educate because they have economic to size. [LB1103]

SENATOR FRIESEN: Right. [LB1103]

SENATOR GROENE: If that explains it. Senator Linehan. [LB1103]

SENATOR LINEHAN: This is just a question, really. So the 20 percent that's supposed to be originally in the TEEOSA fund, the state just uses that for other things now? It's not like one school district gets 20 percent and the other school district doesn't get 20 percent, we just don't keep the 20 percent inside the TEEOSA formula? [LB1103]

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SENATOR FRIESEN: Every school gets about 2.1 percent of the allocated income tax. [LB1103]

SENATOR LINEHAN: Versus the 20? [LB1103]

SENATOR FRIESEN: Versus the 20. [LB1103]

SENATOR LINEHAN: So if we went back to the 20 percent, that would mean Lincoln and OPS and Millard they would all get 20 percent of their income tax from their... [LB1103]

SENATOR FRIESEN: Yes, but I think it has an effect on the TEEOSA formula where you're just switching dollars from equalization aid to... [LB1103]

SENATOR GROENE: It's a resource. [LB1103]

SENATOR LINEHAN: It's a resource. But so it's a resource for nobody, I mean, that it's equal across the board. It's just...I mean, it's not like we're taking 2 percent from North Platte? [LB1103]

SENATOR GROENE: Yes, we are. [LB1103]

SENATOR LINEHAN: Okay. [LB1103]

SENATOR GROENE: Yes, we are. You're going to learn your lesson here, but as a question, because we're supposed to be asking questions. When you do your state income taxes, on the top you put your school district number. That originated with the TEEOSA formula. When the Department of Revenue gets it, anybody who lives in a certain school district, that money is put into that pool and then TEEOSA used to take 20 percent of that and that was a resource to the local school. So the Department of Revenue can tell you how much income taxes is collected in every single citizen in a school district. [LB1103]

SENATOR LINEHAN: Okay, thank you. [LB1103]

SENATOR GROENE: That disappeared after the first budget situation we had. That was the first thing that went out the window. [LB1103]

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SENATOR FRIESEN: So if, again, if all school districts did receive that 20 percent most of that money really would go out to the nonequalized districts because as you get up in unequalized districts it's trading dollars. [LB1103]

SENATOR LINEHAN: I got it. Okay, thank you. [LB1103]

SENATOR GROENE: Senator Friesen, would you be sitting there right now with this bill if the 20 percent was still in place? [LB1103]

SENATOR FRIESEN: I don't know. I still think we...it would have helped. But I still think we need to address down the road how we fund K-12. And the problem I have is when it's based on property these days you can't measure one's wealth by the property they have. You get people who bought a house 40 years ago and they continue to live in it, maybe they're on a fixed income, and yet, the properties on either side of them rise. They property rises, they have no...it wasn't their fault that their property values are skyrocketing, but they don't have the ability to raise any more money just because their house is worth more. It's like people will tell me that I have my house paid for and yet I don't own it, I always have to keep paying. And that bill has gotten so large it's gotten to be burden. [LB1103]

SENATOR GROENE: Thank you. Any other questions? Senator Erdman. [LB1103]

SENATOR ERDMAN: Maybe one more, Senator Groene. Thank you. Senator Friesen, I know you didn't have any control over the fiscal note, but it says \$197 million, and you're assuming that's 25 percent? [LB1103]

SENATOR FRIESEN: That's what I was told, that that's 25 percent of the basic funding in the needs formula was \$197 million. [LB1103]

SENATOR ERDMAN: Because I think we made a contribution, the state did, about a \$1,025,000,000 or something last year in TEEOSA, didn't we? So 25 percent would be significant, would be \$265 million or something. [LB1103]

SENATOR FRIESEN: When we did our own modeling we came up with a little bit higher number, but not a lot. So I'm assuming they're relatively close. These numbers shouldn't be a magic to get at. They are out there, they are a definite number. There's no magic to get it. [LB1103]

SENATOR ERDMAN: Yeah, thank you. [LB1103]

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SENATOR GROENE: Any other questions? Thank you, Senator Friesen. Proponents. [LB1103]

MERLYN NIELSEN: (Exhibit 1) Good afternoon, Senator Groene and committee members. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n. I thank you for the opportunity to come and visit today and give testimony in favor of LB1103. The lady is handing out some of the fliers from a group called Fair Nebraska, which I have been a founding member of. And that flier I believe is quite germane to the discussion we're having today about LB1103. We've got a major problem in this state with having greater than 70 percent of our school districts not receiving equalization aid, and we need to find a way to get more state funding out to our schools. Earlier today, as I listened to the testimonies on the presentation of three other bills and testimonies on those, why, it sure seems like a lot of education in this state is controlled by the state of Nebraska. Therefore, it should be funded by the state of Nebraska as well, because the state purpose. And as I think about the opportunities, why, we have to look at things like what Senator Friesen has brought to us today. Fair Nebraska believes that the basic education cost should be borne by the state of Nebraska and paid out to each of our districts. We believe that's a different cost for every district as well, because of a wide range of reasons. And our TEEOSA formula, as it calculates needs, takes a lot of those things into account. After we have met the basic needs and basic education in all of our K-12 districts across the state, which would not mean the total needs, there would still be other things that are unique to each district. Those would be met by property taxes at the local level according to the Fair Nebraska prescription. But local taxes would be levied on dwelling units where people live. As I listened to Senator Linehan ask about accountability, I believe she was the one that brought that up before, if you put the accountability for the local tax part on the folks who are doing the voting and the ones who also have youngsters in school, why, you have a much more accountable type of situation, as opposed to a situation like I'm faced with quite often, sounds similar to what Senator Friesen was saying. My family and I own lands in five different school districts, I only get to vote in one, I only get to vote in one of those. So if the folks that were paying the taxes above what the state provided where the landowners in those districts then it would be much fairer, much more accountable type of situation. I believe we have to get going with a process like Senator Friesen has laid out. I come up with a larger number than what you do, Senator, when it comes to the amount of money. Probably because when I look at the just a 25 percent of the basic I'm not deducting the part that would go to those districts that still receive the equalization aid. So they get the lesser of whatever those numbers are. I see my light has come on, I will respect the time limit that's put on me. And I thank you so much for the opportunity to come and visit with you today. [LB1103]

SENATOR GROENE: Any questions? Thank you. Senator Erdman. [LB1103]

SENATOR ERDMAN: Thank you, Chairman Groene. Thank you, Mr. Nielsen, for coming. I appreciate that. In the middle part of your flier, there in the middle, it says that "Spending

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approximately \$7,500 per student." It goes on to say that's the basic funding of education is \$7,500. So that's the conclusion you're growing? [LB1103]

MERLYN NIELSEN: We arrived at that by quite arbitrary methods. It's one of our struggles has been for Fair Nebraska is to be able to have a defensible cost of education. Again, to support that \$7,500, Senator. We were quite happy when Senator Friesen, when we got wind of his bill, and he was using the basic funding column out of the TEEOSA formula, needs side of the TEEOSA formula. When I went to that particular set of data and pulled that data set up and looked across the 245 school districts and added all that up and took 75 percent of it divided by the number of students, it's very, very close to \$7,500 a student. So we have a defensible target, I believe with \$7,500. It didn't come up before, but there's quite a large range in basic funding as you go from the most efficient district to the least efficient at least on a cost per student. Now, there's a lot of reasons you can have ranges in efficiency based on economies of size, economies of scale, and so on with that. One of the dilemmas we run into with our largest districts or even our smallest districts is when you try and compare to the district sizes around you. Omaha has only comparisons when you go down, there are no districts larger. So when you take the 10 districts that are closest to them and you go all the way down to North Platte, that's quite a different economy of scale to...and that's some of the problems with the TEEOSA formula. I went further than your question, I'm sorry. [LB1103]

SENATOR ERDMAN: Yeah. So then just briefly could you describe then what you're considering nonbasic education that the landowner and the taxes would pay for? [LB1103]

MERLYN NIELSEN: Anything that the state deems they should not, because it's not part of the basic funding, basic education part. [LB1103]

SENATOR ERDMAN: Okay. All right, thank you. [LB1103]

SENATOR GROENE: Any other questions? Senator Kolowski. [LB1103]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Sir, on the beyond the basic then, where does advanced placement courses, where does anything that we're doing differently in different schools at different times come into play? Because that wouldn't necessarily be in all schools, or maybe not have agreement among even senators that that should be basic in a particular district. International baccalaureate, AP classes, senior-level this...whatever it might be. [LB1103]

MERLYN NIELSEN: Sure. We applaud those. Incidentally, Fair Nebraska is very supportive of public education, we want to always make that clear that we want to make sure we have good,

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high-quality schools. We just want to fund them differently. But to be more specific in answering your question, Senator, anything above what the state would call a basic education would be the responsibility of the local district and be paid from...again, our prescription would be: Paid from property taxes on dwelling units only of that district. Those are the voting people, they are the people that are paying for it. Those who wonder about whether we will have the types of classes that that district wants to have, like advanced placement, some of the other nice examples you gave, need only look at the levy overrides we've just seen in the Millard and the Westside districts. The people that are paying...those are districts where, at least in Westside I would guess more than...see, Douglas County, 65 percent of the property taxes are paid by residences, so I would guess Westside would be that or greater. And when the people that are paying the taxes want to vote for something, amen, they're getting what they want. So I wouldn't be afraid that you would lose those things under the state picking up a large portion to every district across Nebraska. [LB1103]

SENATOR KOLOWSKI: Well, somewhere you're defining basic education. And if Millard is a player, as the third-largest district in the state, they would certainly desire to be at the table to define education, that "basic education", what is agreeable to be "basic education" in the state of Nebraska in the Millard schools. [LB1103]

MERLYN NIELSEN: Okay. [LB1103]

SENATOR KOLOWSKI: Therefore, their definition may be different than your definition. [LB1103]

MERLYN NIELSEN: I would hope that when Millard would like the state to pay for those classes they would likely, most assuredly, support that teaching at every school district in the state so every student can get the same opportunities than those at Millard. [LB1103]

SENATOR KOLOWSKI: Certainly. And in the majority of cases in Class A and many Class B districts, that's not a problem. Getting that curriculum developed and delivered to every district in the state is a technological issue. Perhaps that's the answer with a lot of people in a lot of places, as well as helping to make that available so everyone has that opportunity to the basic education, basic curriculum, basic experiences that all of the students are having. It shouldn't just be they have it there, but nobody else does when we have so many ways it could be delivered. [LB1103]

SENATOR GROENE: Any other questions? Senator Pansing Brooks. [LB1103]

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SENATOR PANSING BROOKS: Thank you. Thank you for coming, Mr. Nielsen. So I'm just interested, because you mentioned economies of scale and mentioned...what I'm trying to understand is you're talking about the basic and sort of core curriculum from what I understand, that that's basically paid. So then what happens on, I mean, we know that some of the higher per-student amounts are in some of the districts that have the least population, there's transportation being paid for. And so what...how do you deal with special ed and things like that? I mean, he's talking about IB programs and some people might say, well, those aren't of any value and that's not core education. But something like special education would not be considered core education and could not really be included in that \$75,000 per student. So how do you foresee that all happening? And transportation, when we look at the transportation costs, I figure the whole state is helping to pay for the transportations costs in Sheridan County and other places where there's... [LB1103]

MERLYN NIELSEN: I would go back... [LB1103]

SENATOR PANSING BROOKS: And I don't have a problem paying for that out of my dollars for the rest of the state, so. [LB1103]

MERLYN NIELSEN: The transportation costs I believe are included in the calculations that are done for the basic funding in the needs side of the TEEOSA formula, so I would defer to that. On the special ed, my only comment would be we have a current system that I'm pretty sure, based on the number of students with special needs in districts that get a different payment from the state. At least I'm told that, I haven't examined my local school budgets that closely. [LB1103]

SENATOR PANSING BROOKS: I know, but that doesn't say it's going to happen here. [LB1103]

SENATOR GROENE: To make it clear... [LB1103]

SENATOR PANSING BROOKS: I'm sorry, but I'm not done. [LB1103]

SENATOR GROENE: How many more questions do you have, Senator? [LB1103]

SENATOR PANSING BROOKS: Does it matter? Isn't this my right as a senator? [LB1103]

SENATOR GROENE: We won't have it exceed in time. [LB1103]



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SENATOR PANSING BROOKS: Okay, that's fine. I've just asked two questions, do you have a problem with that? [LB1103]

SENATOR GROENE: No, ask another one. I thought you were done. Excuse me. [LB1103]

SENATOR PANSING BROOKS: Thank you. So I don't think that...I just don't understand. I didn't see that in the bill it includes some of those special education or ELL students or how to deal with that, and I just wondered if you are aware of that. And I can ask Senator Friesen as well. [LB1103]

MERLYN NIELSEN: Don't have a full answer for you. [LB1103]

SENATOR PANSING BROOKS: Okay, thank you very much. [LB1103]

MERLYN NIELSEN: But thank you for the questions. [LB1103]

SENATOR PANSING BROOKS: Thank you for coming. I appreciate it. [LB1103]

MERLYN NIELSEN: You're welcome. [LB1103]

SENATOR GROENE: Are you done, Senator? [LB1103]

SENATOR PANSING BROOKS: I am. Thank you. [LB1103]

SENATOR GROENE: To make it clear, you're talking about fair proposals plan. You are not talking about Senator Friesen's. [LB1103]

MERLYN NIELSEN: I'm supporting. [LB1103]

SENATOR GROENE: Some of the comments you were making were on your plan, not Senator Friesen's. [LB1103]

MERLYN NIELSEN: Absolutely. [LB1103]

SENATOR GROENE: So when you were answering the questions, you were answering--which I tried to inject--to Senator Pansing Brooks on your plan, not Senator Friesen's. [LB1103]

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MERLYN NIELSEN: Correct. [LB1103]

SENATOR GROENE: Any by the way, basic transportation allowance is not in basic funding. [LB1103]

MERLYN NIELSEN: Okay. [LB1103]

SENATOR GROENE: And two, hopefully you understand, what Senator Friesen is doing has nothing to do with poverty, has nothing to do with English as a second language, has nothing to do with transportation. It is basic funding, TEEOSA steps in, all of that is paid by property taxes or state aid. Is that not true? [LB1103]

MERLYN NIELSEN: Okay. Yes, sir. [LB1103]

SENATOR GROENE: All right, thank you. [LB1103]

KEN HERZ: Good afternoon, Chairman Groene and members of the Education Committee. My name is Ken Herz, K-e-n H-e-r-z. I'm a rancher and farmer from Lawrence, Nebraska. I am currently serving as vice president of Nebraska Cattlemen, and I appear before you today on behalf of the Agricultural Leaders Working Group in support of LB1103. We wanted to thank Senator Friesen for introducing the bill to provide increased state funding for basic education needs of all Nebraska students. The Agricultural Leaders Working Group is comprised of the elected leaders of the Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Growers, and the Nebraska Dairy Association. Our group has spent a great deal of time discussing property tax reform priorities, and one of the key topics in those discussions has been a commitment to education funding for all Nebraska students. The majority of Nebraskans think quality education is vital, and our groups collectively agree with that priority, as outlined in the state's constitution. Yet, according to the 2017-18 State Aid Certification Report, 179 of the 245 school districts in Nebraska receive no equalization aid from the state and Nebraska's K-12 schools are more reliant on property taxes than nearly every other state in the nation. As state equalization aid has decreased in many agricultural districts, property taxpayers have picked up a disproportionate share of the cost needed to keep the schools running. Foundation aid was an original tenet of Nebraska's school-funding policy and is the most common funding structure across the U.S. LB1106 (sic) would provide a minimum amount of state aid to every school district equal to 25 percent of the basic funding needs of each district under the TEEOSA formula. Our organizations are made up of farmers and ranchers looking for solutions that provide significant and real relief that provides between \$600 million and \$1 billion in relief as soon as possible. Ideally, increasing state aid for schools would result in a corresponding decrease of the burden on property taxpayers. As the

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committee considers LB1103, we ask you to incorporate such measures that will ensure such a solid step forward. Thank you. [LB1103]

SENATOR GROENE: Is there any questions? Senator Linehan. [LB1103]

SENATOR LINEHAN: Thank you, Chairman Groene. And thank you very much for being here. Could you give the committee any examples of how Nebraska compares to Iowa or Kansas or Colorado or Wyoming on property tax per acre for a rancher, cattleman, or corn grower? [LB1103]

KEN HERZ: I cannot give you that information. But it's a significant amount. [LB1103]

SENATOR LINEHAN: Okay. If you could get it for the committee that would be helpful. [LB1103]

KEN HERZ: Okay. I live close to the Kansas border and it's quite significant. And they're talking about \$7 to \$8 an acre, and where we are is about \$40 an acre. [LB1103]

SENATOR LINEHAN: So it's \$7 to \$8 in Kansas per acre but Nebraska just across the state line it's \$40 an acre? Okay. If somebody in your group could get the rest of them, that would be helpful. Thank you. [LB1103]

KEN HERZ: Okay. I think we can provide you that information. [LB1103]

SENATOR LINEHAN: Thank you very much. [LB1103]

SENATOR GROENE: Any other questions? [LB1103]

KEN HERZ: Thank you very much. [LB1103]

SENATOR GROENE: Next proponent. [LB1103]

DOUG NIENHUESER: My name is Doug Nienhueser, D-o-u-g N-i-e-n-h-u-e-s-e-r. Thank you, Senator Groene and members of the Education Committee and Senator Friesen for bringing this bill forward. We feel it is a major step in the right direction to solve a problem. What I would like to talk to you a little bit about, and Senator Friesen brought it up, Senator Linehan also, is accountability. We have no accountability when ag is asked to pick up such a disproportional

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share of the cost of education in rural Nebraska. And a prime example of that is our urban towns, such as Lancaster County and Douglas and Sarpy and them, their costs that ag puts towards property taxes is in the low single digits percentage that ag land attributes to property taxes. Homeowners are quite high in those districts, and so now they're feeling the brunt of it and they're raising a stink and they're being more aware and they're going to be more conscious with their votes. But you get in rural Nebraska, when ag is picking up such a big share, why would the residents in town be so concerned about that cost hurting their pocketbook? It's only when we hold everybody to the table responsible with their votes on funding education can we have true accountability. When we're all paying for the funding of education on our homes, where we have the chance to vote, can we be responsible. I'm going to leave it right there with you. [LB1103]

SENATOR GROENE: Thank you. Any questions? Thank you, sir. Any other proponents? [LB1103]

ROGER MEYER: Good afternoon, I'm Roger Meyer, R-o-g-e-r M-e-y-e-r. I just have a few thoughts in mind, and that is that property tax is something that we have to pay, we have no alternative but paying it. It's not, as was pointed out, some people have a difficult, if not impossible, time of paying it. I feel that it's a very bad way of taxation, sales and income tax so much more fair. When I go to buy something I know that I'm going to pay so much sales tax on it, so it's my decision. I either buy it or I don't buy it. Income, if I make an income, I should pay for, you know, I can afford to pay income tax. But property tax is just flat out an unfair tax. That's all I have to say. [LB1103]

SENATOR GROENE: Any questions? Sir, what town are you from? [LB1103]

ROGER MEYER: Utica, Nebraska. I guess I can give you a little history. I was raised on a farm, was a medical doctor in Utica, Nebraska, for 39 years. I own some farm land and so I've kept a lot of interest in it, and that's why this bothers me. [LB1103]

SENATOR GROENE: What school district were you in? Are you in? [LB1103]

ROGER MEYER: I'm Centennial School District, 67-R. I was on the school board for 25 years. [LB1103]

SENATOR GROENE: Do you have doctors living in the area? [LB1103]

ROGER MEYER: Pardon. [LB1103]

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SENATOR GROENE: Doctors living in the area? [LB1103]

ROGER MEYER: Yes, Dr. Sams is the doctor in Utica today. [LB1103]

SENATOR GROENE: Would you say he makes as much as the... [LB1103]

ROGER MEYER: Well, it's a lady doctor. [LB1103]

SENATOR GROENE: All right, she makes as much as...the school administrator who probably makes up to \$180,000 or \$200,000 a year. I'm setting up an example here. [LB1103]

ROGER MEYER: I don't know. You know, you have to realize that the cost of medical education is horrendous and third-party payers pay you what they want to. You can send them a bill for \$100 and you might get \$20 or \$30. [LB1103]

SENATOR GROENE: I understand. School administrators are paid more than doctors nowadays, I also believe that. So you've got an administrator living in Utica, I don't know if they do, living in a house, paying \$3,000 or \$4,000 taxes, property taxes. Farmer making \$80,000, \$90,000 is paying \$80,000 of property tax. Do you think that's fair? [LB1103]

ROGER MEYER: No. [LB1103]

SENATOR GROENE: And the term you were looking for is property tax is a regressive tax. [LB1103]

ROGER MEYER: Right. [LB1103]

SENATOR GROENE: Because if you pay it if you have the ability to pay or not. Is that the term you were looking for? Thank you. [LB1103]

ROGER MEYER: Thank you. [LB1103]

SENATOR GROENE: Next proponent. LB1103 support: none received, any mail. So opponents. Any opponents? We're going to get out of here before the blizzard hits. We had two opponents: Ralston Public Schools and Norfolk Public Schools. Neutral. [LB1103]

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TIFFANY JOEKEL: (Exhibits 2, 3) Chairman Groene, members of the Education Committee, my name is Tiffany Joekel, T-i-f-f-a-n-y J-o-e-k-e-l, policy director at OpenSky Policy Institute. We are here to testify in a neutral capacity today to share information and some suggestions regarding the idea proposed in LB1103. My apologies to Senator Friesen that we weren't able to get this spreadsheet to him before the hearing today, but of the nature of the beast we just finished it this morning. But I'm happy to walk through it. I want to talk about a couple of things, as we envision this bill working, it essentially allows the TEEOSA formula to run and then at the end of the day, if the state aid provided to each district does not equal 25 percent of basic funding, which was the start of that TEEOSA funding, the state kicks in to get every district up to 25 percent. And so that is the modelling that we have provided here for all school districts. We are generally supportive of this idea of providing a basic level of support to all school districts in the state. The caveat today, the reason we are in a neutral capacity is because of the fiscal impact. In an effort to be consistent, you know, and given the state's budget situation, we are happy to work with the committee and Senator Friesen to find ways to support something like this moving forward. But without any new funding identified with this bill, we are neutral. A little bit of highlights of our modeling, so we assume...the way we model this we assume it were in place in this year, '17-18, so we're using the current TEEOSA formula. What we show is that 197 districts would receive an increase in state aid under this proposal, so this means currently 197 districts do not receive state aid equal to 25 percent of their basic funding. So it would provide new state aid to 197 districts. Most of those are currently nonequalized, so in the spreadsheet that I've handed out the highlighted districts in yellow are those that would receive new funding under this proposal. The districts in italics are currently the equalized districts. So of those 197 districts that would receive an increase in state aid, 173 of them are currently nonequalized. If in those nonequalized districts we assume that the districts chose to drop their levies equal to the amount of the new aid that they would receive as a result of this proposal, on average those districts could reduce their levies by 14 cents. Twenty-four of the 197 districts receiving an increase are currently equalized, but the amount of state aid that they receive is not 25 percent of their basic funding. So they would get more money under LB1103 than they do under the current state aid system. And then 48 districts would not receive any new aid under this proposal, these districts would not receive less aid either, assuming there was a new funding mechanism for these proposals. Most of those are your most heavily equalized districts currently, so the state aid that they receive is significantly more than 25 percent of their basic funding. However, five of those districts that wouldn't receive any new aid are nonequalized. Those are districts that receive a lot, a fair amount of funding and net option funding. So I'm happy to talk through this more if you have questions. We would generally recommend, because of the big fiscal impact initially, perhaps starting at a smaller percent and moving up would be appropriate. Also, you know, we believe this isn't happening in a vacuum. We testified yesterday in support of the school funding study, we still stand by that. In the context of this hearing, we have already raised a number of issues. Senator Groene, you had a good point that it's not necessarily targeted towards high-levy ag. And so that's an excellent point, right? And so that's why we think the funding system has to

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be examined in totality and not in necessarily individual pieces. But that being said, we are supportive of some sort of concept like this. And I'm happy to dig into this massive spreadsheet that I gave you if you like. [LB1103]

SENATOR GROENE: Doing two things at once here, there's a lot of research. [LB1103]

TIFFANY JOEKEL: Sure, sure. [LB1103]

SENATOR GROENE: You didn't total your column, the new state aid? [LB1103]

TIFFANY JOEKEL: Right. [LB1103]

SENATOR GROENE: Does it match pretty close to the fiscal note? [LB1103]

TIFFANY JOEKEL: Yep. So we got...so again, this is as if it were in this year and the fiscal note is looking forward. But we got \$192 million roughly, yeah. So we were really pretty close. [LB1103]

SENATOR GROENE: So that kind of a practice, it's check it and check... [LB1103]

TIFFANY JOEKEL: Yeah, which always makes us feel good, when we're close to the fiscal note. Yeah. [LB1103]

SENATOR GROENE: Makes Tom Bergquist happy and the Fiscal Office. [LB1103]

TIFFANY JOEKEL: Well, I strive to do that. And I also, Senator, looked up some information about allocated income tax if you want to talk about that. I don't want to take you down a road you don't want to, but we ran some analysis. [LB1103]

SENATOR GROENE: What did you come up with if we were at the 20 percent yet? Have you figured those? [LB1103]

TIFFANY JOEKEL: So yeah, so to your point we ran this earlier this summer. And I'll talk about it again on Thursday in Nebraskan...the LB1084 bill in Revenue. But you're right that 20 percent would be around \$343 million, but that is keeping it outside of (inaudible). That means every district gets their 20 percent. If you run it through the equalization formula and count it as a resource, which then means it's predominantly new money to nonequalized districts, we get

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about \$85 million. So and comparatively...so LB1103, the nonequalized districts we get an average levy reduction of 14 cents. Under allocated income tax we get an average levy reduction, running it through the system, so only the \$80 million in new money, we get an average levy reduction in nonequalized districts of 5.2 cents. But that makes sense, I mean, that's \$80 million and this is \$200 million. So it's proportional I think. [LB1103]

SENATOR GROENE: Thank you. That's good information. Any questions? Senator Linehan had your hand up first. [LB1103]

SENATOR LINEHAN: Thank you, Senator Groene. These numbers are just based on TEEOSA aid, this is none of the other, not the homestead credit or... [LB1103]

TIFFANY JOEKEL: Correct, yeah. [LB1103]

SENATOR LINEHAN: No special education fund. It's just the money that's now dedicated to TEEOSA? [LB1103]

TIFFANY JOEKEL: Yep, you're absolutely right. So the basic funding is the first column, it's the foundation of...that's where TEEOSA starts, right? That's when the needs start, and that's based on your average array, as Senator Groene pointed out. The second column is the state aid that they receive, so that would be equalization aid, net option funding, and the allocated income tax or income tax rebate. [LB1103]

SENATOR LINEHAN: But it's all still inside the TEEOSA funding? [LB1103]

TIFFANY JOEKEL: Correct. Correct, no special ed, no...yeah. That's a great point. Not the Property Tax Credit Fund or anything happening. This is purely comparing basic funding to state aid received, and then the percent currently that that state aid makes up of their basic funding today. And then the last column is if LB1103 were in effect what we think the change would be. And again, I apologize to Senator Friesen that we didn't have this to him before so he could have talked about it. But I hope it's helpful. [LB1103]

SENATOR LINEHAN: How many schools are there that their opt-in funding is more, I mean, I see one on here. But how many schools where there's opt-in funding actually they get more money in option funding, even if they're not equalized? Are there quite a few like that or just a handful? [LB1103]



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TIFFANY JOEKEL: So I can look that up to be sure. What I can confidently say in this is there are five nonequalized districts, so Westside is one example, that would not receive new money under this. Because even though they are equalized, the amount of state aid they receive, which is primarily from net option funding, would push them above that 25 percent threshold. So there are five examples in this document like that. So Westside is one, Amherst Public Schools is another. And I'm sorry, I don't have those right in front of me. Maxwell, McCool Junction, and Northwest Public Schools. Those are the five examples. [LB1103]

SENATOR LINEHAN: Thank you. That's all I have. [LB1103]

SENATOR GROENE: Any other questions? [LB1103]

SENATOR LINEHAN: No, I'm sorry. That's all I have. [LB1103]

SENATOR GROENE: Thank you. [LB1103]

TIFFANY JOEKEL: Thank you for allowing me to testify neutral. [LB1103]

SENATOR GROENE: Any other neutral? Senator Friesen. We had no letters on neutral letters. [LB1103]

SENATOR FRIESEN: Well, as you can see, it would have been interesting to have this. But again, look at the numbers and look at the help that is given to those nonequalized districts with just, I guess, a minimal amount of funding. And that's why I have not ever wanted to try to distribute the money in TEEOSA differently. I've always said I'm willing to raise new revenue to do this, I am not objecting to that. I am looking for any possible method of raising net funds. There's a lot of things on the table and I would really like to work with committee and try and come up with something that would be amenable to you guys. I'm not here to shove things down your throat. I want to find a way that we can build a path to where the state provides more of the funding for that free instruction of a K-12 student. I'm not here to try and dilute the revenue that we have now to hurt school districts. I'm trying to hold everybody harmless, that was my goal. I am willing to look at all avenues, whether we combine things and build a package. I've been very adamant that I don't feel that the state should be cutting income taxes until we fix the property tax problem, and so I'm very supportive. I think a bill that addresses the property tax issues before this body has a good chance of passing. And we can do something meaningful and preserve that revenue that's coming in down the road, because with the unknowns we have out there now I'm willing to look at any sources of new revenue. But at the same time, I'm not willing to put the rest of the state at risk, so to speak. But I think we can do this. It's not a burden

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we can't get through, I think. And given time, I think it's possible to do it. And so I realize we didn't get into this problem in one year, I don't expect to get out of it in one year. But we do have school districts that obviously have some issues. And for us to say that a poor student out in rural Nebraska is not important as a school...or a student in Millard or OPS or Lincoln Public Schools is any different. And so if there would just be a basic funding that would be provided by the state that could assure that could happen. And, you know, I've used the York Public Schools extensively because I think their superintendent has done a good job, they've lost all their state aid and they've lost several million dollars over the last few years. And all of that has been pushed onto ag, the small amount of ag land in their district and to the residential homeowners, commercial property owners. And currently they receive very little to no equalization aid. And so it hasn't been fairly funded, I don't feel. And there's got to be a way where we as a body can address this. It shouldn't have to come to a petition drive. I'm not a big fan of that. But if we can't address it as a body here, I'll carry a petition, I'll vote for it, and then we will fix it. But I think it's our duty to address it, and I would love to do it here versus any other way, because I think we can do it better. But we've got to have a will to do it. Thank you. [LB1103]

SENATOR GROENE: Any questions for Senator Friesen? Thank you, Senator Friesen, for bringing the bill, and that ends the hearings for the day. We got done a lot sooner than we thought we would. [LB1103]