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Education Committee  
March 01, 2011

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[LB283 LB522 LB633 LB634]

The Committee on Education met at 1:30 p.m. on Tuesday, March 1, 2011, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB283, LB522, LB633, and LB634. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Bill Avery; Abbie Cornett; Brenda Council; Ken Haar; Ken Schilz; and Kate Sullivan. Senators absent: None.

SENATOR ADAMS: Okay. Now that the pages have arrived and we've switched over from the Retirement Committee to the Education Committee and our committee clerk is ready to go, we'll open this hearing of the Education Committee today. Welcome all of you who are here. We're going to hear four bills today. Senator Haar will be introducing LB283 and LB522 and I'll be introducing LB633 and LB634. Introduce the people up here first of all. To the far right is Becki Collins, she's the committee clerk. And those of you who are unfamiliar, I would ask you before you come up to testify that back by the doors you will find registration forms, and if you would fill that out prior to you giving testimony and then when you come up, hand that over to Becki. When you sit down at the seat, if you would introduce yourself and please spell your last name for the transcriber so that it's clear and we'll hear your testimony. We'll go as we almost always do with a three-minute light and questions to follow. Next to Becki will be Senator Schilz from Ogallala; next to Senator Schilz, Senator Council from Omaha; Senator Cornett from Bellevue. Sitting next to me right now is Kris Valentin, the research analyst for the Education Committee. I'm Greg Adams representing the 24th District; next to me is the Vice Chair of the committee, Senator Howard; Senator Sullivan from Cedar Rapids, and suppose we could talk about the fact that it's her birthday today but I said I wouldn't say anything; (laughter) and Senator Avery from Lincoln next to her; and of course Senator Haar as well. The rules of the road are pretty simple. I'd ask that unless you are credentialed press you not use your laptops of any kind and if you would also turn your BlackBerrys off and if you need to text message, go outside of the hearing room to do that. With that, we will begin the hearing on LB283. Senator Haar, you are recognized to open. [LB283]

SENATOR HAAR: (Exhibits 1-2) Thank you. My name is Senator Ken Haar, that's K-e-n H-a-r-r...no two a's. Senator Adams, members of the committee, today I'm going to talk about QCPUF. And the picture in my mind is sort of like the first diagram I sent out. What is a QCPUF? It sounds like some kind of thing that you'd eat but actually a QCPUF is a qualified capital purpose undertaking fund. Right now...and by the way, this very, very informative sheet here that was prepared by Scott Keene at Ameritas who...and they have done an awful lot of work with schools and public financing all over the place, and this kind of summarizes the various financing mechanisms that schools can use. So I wanted also to pass this sheet around. And we're going to talk about the second one there, qualified capital purpose undertaking fund. Okay. The definition of an energy efficient...what we've done is right now a QCPUF is a 5.2...has a 5.2-cent levy,

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and its bond payments outside the \$1.05 levy limit, does not include...does not--I'm sorry--require a vote of the people and...for these kinds of bonds and it has a ten-year limit. Currently, QCPUF allows for the following kinds of expenditures: environmental hazard; accessibility barrier, in other words, ADA; life safety code violation; indoor air quality; and mold abatement. And, by the way, there's a number of schools as I've talked to superintendents. We've got one not too far from here that the CO2 level is too high and they're going to have to do something about that. We talked to another superintendent that has...there's mold in the school air and so kids are having a lot of asthma problems. So QCPUF is set up for those kinds of things. It does not require a vote of the people. And Scott Keene is with us today and he will testify neutrally in case you have any detailed questions about these instruments. Well, what my bill would do, what LB283 would do is to add energy efficiency as one of the allowed purposes for QCPUF. And in the bill...and it's quite long but I'm just changing...just adding "energy efficiency project" and it, "includes, but is not limited to, any inspection and testing regarding energy usage, any maintenance to reduce, lessen, put an end to, diminish, moderate, decrease, control, or eliminate energy usage, any restoration or replacement of material or related architectural and engineering services, and any other action to reduce or eliminate energy usage in new or existing school buildings or on school grounds under the control of a school board." So, again, it would simply add "energy efficiency" to the current list of uses for QCPUF. This actually developed out of the Green Schools Summit that we had, and as people made suggestions of where we could have an impact because you don't want to just tell schools about how...you know, that they need to upgrade their energy or whatever, but also to begin to find ways that we can help them finance those projects. And so adding "energy efficiency" to QCPUF is one way that schools could deal with energy efficiency. It's pretty simple. If you...the fiscal note is very interesting, by the way. It says that LB283 would permit school boards with QCPUF levies below--and I already said that--5.2 cents per hundred to commit to bond repayments for up to ten years. In the current year, there is 4.1 cents in available QCPUF authority statewide, and 163 school districts are not currently using any of the maximum QCPUF authority. So with that, I'd be happy to answer questions. [LB283]

SENATOR ADAMS: Thank you, Senator. Are there questions? Yes, Senator Sullivan. [LB283]

SENATOR SULLIVAN: Thank you, Senator Adams. Well, that begs the question then, Senator Haar, why aren't they using their authority right now? Is it not knowledgeable about the opportunity or not wanting to spend the money or what do you think? [LB283]

SENATOR HAAR: Yes. (Laughter). No, I think it's probably all of those. This was kind of a surprise for me when I say the fiscal note--163 school districts are not using it. But my understanding is that QCPUF originally was intended for sort of the emergency kind of situations that come up and you have to deal with. So if, again, the current purposes are: environmental hazard, and that could be such a thing as finding asbestos, you

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know, in the air system; accessibility barriers, ADA of course; life safety code violations; indoor air quality, again, I don't know if this school district will use it over the excess CO2 in the classrooms, but they could; and then mold abatement, which is something that affects the health of children. So, again, these are all...and I don't know why schools have used them or not used them, but it's sort of something you can keep there when one of these emergencies arises. That would be my guess. [LB283]

SENATOR SULLIVAN: Um-hum. [LB283]

SENATOR ADAMS: Senator Avery. [LB283]

SENATOR AVERY: Thank you, Mr. Chair. Senator Haar, would you mind telling us a little bit about that green buildings or Green Schools Summit that you had mentioned? [LB283]

SENATOR HAAR: You know what? In the next one I will if that's okay with you. [LB283]

SENATOR AVERY: Oh, okay. [LB283]

SENATOR HAAR: But I want to talk more about... [LB283]

SENATOR AVERY: But you had a meeting over on the campus. [LB283]

SENATOR HAAR: We had a meeting on October, a two-day meeting. We had some, actually, national people in. We talked about what are green schools, how do you finance them, and those kind of issues. This was a two-day seminar at UNL that was cosponsored by my office, by UNL, and by Mike McGinnis and the Peter Kiewit Institute in Omaha. We had about 200 people showing up. Actually it was... [LB283]

SENATOR AVERY: And this proposal came out of that? [LB283]

SENATOR HAAR: Yes, it was one of the things that came out of that. Yes. [LB283]

SENATOR ADAMS: Senator. [LB283]

SENATOR HOWARD: Thank you. Thank you, Mr. Chairman. Well, I have to ask you, would the use of power strips qualify under this, the funding for the use of power strips? It says anything to eliminate energy usage. [LB283]

SENATOR HAAR: You know, that's an interesting question. I don't know. [LB283]

SENATOR HOWARD: It's a simple solution. [LB283]

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SENATOR HAAR: I would think so, yeah. You could buy power strips. [LB283]

SENATOR HOWARD: (Laugh) And you know why I'm asking you the question. [LB283]

SENATOR HAAR: Exactly. [LB283]

SENATOR HOWARD: All right. Thank you. [LB283]

SENATOR HAAR: For a bill I do favor and I use them in my office. [LB283]

SENATOR HOWARD: And so do we. [LB283]

SENATOR HAAR: Good. [LB283]

SENATOR ADAMS: Senator, at...to be the devil's advocate for a moment... [LB283]

SENATOR HAAR: Sure. [LB283]

SENATOR ADAMS: I'm familiar with these bond programs and certainly see the benefit and I can see where you're headed in this and your intention is...you're well intended. What I'm wondering here--and the schools will scowl at me here in just a second--as I look at your list of what would qualify, how does this get gamed by school districts saying, hey, we've got this new addition on our QCPUF levy authority and what could we fit under energy usage or...do you see what I'm getting at? [LB283]

SENATOR HAAR: Sure, sure. [LB283]

SENATOR ADAMS: And it may be new doors, it may be new windows, but, well, we've been wanting to remodel the band room, we're afraid to go to the voters on a bond issue, so maybe we've got something here under the...you see what I'm getting at? [LB283]

SENATOR HAAR: Sure. [LB283]

SENATOR ADAMS: How would you respond to that? [LB283]

SENATOR HAAR: I would respond to that by saying there's nothing you can design that can't be gamed. And so I don't know. Somebody would want to game this, perhaps they could. I would think under indoor air quality that's a fairly broad standard as well. I think here we have to go back to that idea of local control that we...I start with the assumption that school boards are well-meaning and they care about the children. And perhaps they will game this. I don't know. But I would think there's also places in it to game, and (laugh) I'd just...you know, if you're out there to game and I suppose in the interest of

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children makes it more important but it's going to happen. Yes. [LB283]

SENATOR ADAMS: Senator Howard. [LB283]

SENATOR HOWARD: Thank you. So on the listing here, and this is what you're looking at right here... [LB283]

SENATOR HAAR: Yeah. [LB283]

SENATOR HOWARD: ...under the third category, "any restoration or replacement of material or related architectural or engineering services," which your band room I would think would be in here if you're going to restore it. So it would be any of these four qualifications, not any two or any three, it would be any one of these would qualify. [LB283]

SENATOR HAAR: That's right. And then my understanding would be that's...you know, to get around the gaming I suppose is you have to be able to claim energy efficiency. So probably buying new chairs for the band room or something would not work. That would be a real stretch. [LB283]

SENATOR ADAMS: Other questions? Thank you, Senator. First proponent. [LB283]

MIKE KROS: (Exhibit 3) Hello. Mike Kros, M-i-k-e K-r-o-s, representing Nebraska Flatwater Chapter of the US Green Building Council, and we are in support of this bill. We represent the local businesses and individual memberships of the Omaha and Lincoln metropolitan areas and also across the state. We're a nonprofit organization made up of those type of people, so we have...our members include architects, engineers, students, and other professionals who support green building practices, technologies, and policies. Allowing school districts to use this funding approach to make energy efficient upgrades can have significant benefits for the school and the state as a whole. Creating efficient green...energy efficient green schools is part of creating a good school. Green schools create a learning environment that supports student learning through improvements in site selection, daylighting, indoor air quality, thermal comfort, acoustics, and classroom design, all of which have an important impact on the child's ability to learn and a teacher's ability to teach. The benefits of superior indoor air quality--a key emphasis in green schools--have been linked to lower asthma rates, fewer allergies, reduced absenteeism, and increased teacher retention rates. Green schools use an average of 30 to 50 percent less energy compared to conventional schools. Green schools cost less to operate, utilize durable materials, and greatly reduce water and energy use, which generates significant financial savings. Green schools can provide educational experience that transcends the classroom by creating a host of opportunities for curriculum, innovation, and hands-on, project-based learning in which the building itself becomes an interactive teaching tool. Green schools

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do not have to cost more than conventional schools to build. And I would recommend using the LEED, which is Leadership in Energy and Environmental Design, rating system where appropriate to achieve high-performance schools. This system emphasizes energy reduction but also at the same time encourages buildings that promote a healthy indoor air environment for learning and teaching. It is a proven system that has operated by an independent organization. We feel this bill is an important bill and will benefit the community by providing learning and working environment...improve learning and working environment, create jobs, and at the same time reduce our energy and operational costs. Thank you. [LB283]

SENATOR ADAMS: Okay. Thank you, sir. Are there questions for this testifier? Yes, Senator Sullivan. [LB283]

SENATOR SULLIVAN: Thank you, Senator Adams, and thank you, sir. Have you had experience working with schools to help them become more energy efficient? [LB283]

MIKE KROS: Yes, I mean, I do that's...I am an architect. [LB283]

SENATOR SULLIVAN: Um-hum. [LB283]

MIKE KROS: I do work for DLR Group. We do...I think we're one of the...more schools in the country than about any other firm. So every project I approach is I try to deal with green, energy efficiency issues out there. So we have a large group in our organization that deals just with sustainability to help focus and move that research forward. And then with Nebraska Flatwater Chapter, like I said, we have a bunch of different architects, engineers, and other trades people doing the same thing of learning and sharing information and trying to get the education out on the importance of green schools, so. [LB283]

SENATOR SULLIVAN: Could you give me some examples of some of the kinds of projects that schools have undertaken? [LB283]

MIKE KROS: Yes. Like for...there's a couple of different types. You can go new construction obviously. Starting from brand new can make a significant difference. As an example, a project finished up about a year ago, Glenwood, Iowa, new high school, 143,000 square foot. Base line energy they would run around...basically based around code minimum would run about \$1...a little over \$1 a square foot. Running with using green approach or energy efficiency it's down to about 43 cents a square foot. And when we model it out, we're still tracking over time to see how it comes up. So for new construction that's one way we do energy models up front to figure out what choices we make in how we design the building to minimize the energy in the long run on the building. And then for a remodel, which is more common for a lot of the existing buildings out there, look at energy bills, see where the money is being spent. We would

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go through, do kind of a more indepth energy audit to look at what do the windows look like, whether the lights...lights are a big thing that are easy to change out, reduce energy costs and provide better lighting, look at boiler mechanical systems. How much life expectancy do they have left? Does it make sense to upgrade that when it comes time or earlier? Things like that we would review and look at. [LB283]

SENATOR SULLIVAN: Okay. Thank you. [LB283]

SENATOR ADAMS: Other questions? I guess not. Thank you then. [LB283]

MIKE KROS: Thank you. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

RICHARD HEDRICK: I'm Richard Hedrick, H-e-d-r-i-c-k. I am for LB2... [LB283]

SENATOR ADAMS: Richard? Richard, have you filled out the registration form to testify? Would you hand that over to Becki, please? Thank you. Okay. [LB283]

RICHARD HEDRICK: I am for LB283 and LB522, saving money by investing in schools. I read this bill. It is to invest to save money. It makes good sense to invest to save money. Republicans are supposed to be businesspeople. When you listen to Republicans in Washington, you don't know if they are not business types or they believe that the voter is that dumb. Washington-types are promoting investing to make money or save money as spending. This goes for Fox programs also. When you watch Fox programs, you wonder what they are...they get their running orders in the morning. All programs speak along the same subject all day. Ailes and other FOX CEOs do not run their empire the way they expect the government to be run. They make money running down government. [LB283]

SENATOR ADAMS: Sir, could I ask you to try to focus on the bill just a little bit more, why you're in favor of the bill? [LB283]

RICHARD HEDRICK: Well, we had a house in Waverly and we had a heat pump and we used water off the...I drill down 20 feet for the water table and we've ran the water back down into the well to save money. And there's this house or building on the west capitol, on the south side. I'm not sure what they did but they did a lot of drilling and I assumed that they did that to save on heating and cooling. And there's...with a new jail out on West O, they've done a lot of drilling there to save money heating and cooling the building. So it makes sense to save money, especially these days. [LB283]

SENATOR ADAMS: Okay. Anything else you'd like to tell the committee? [LB283]

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RICHARD HEDRICK: Oh, about the only thing I would say is Jesse Ventura runs down the government. I have not heard him say what he did when he was governor. He should have been doing something as governor to promote government. And like I said, I haven't heard him say anything about... [LB283]

SENATOR ADAMS: Thank you. Now are there questions for this testifier? Anyone? Thank you, sir. [LB283]

RICHARD HEDRICK: You're welcome. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

CRAIG MOODY: Good afternoon. My name is Craig Moody, C-r-a-i-g M-o-o-d-y. I'm here for the most part representing three organizations. I'm a business owner of a company that consults in sustainability. One of our clients, the Omaha Public School District, we consider a very close partner and they've essentially given me loose reins to speak on their behalf today. And I'm also the incoming president of the Green Omaha Coalition in Omaha. I'm not a finance expert so I don't understand the whole bonding process, but we've worked extensively with the Omaha Public School District and I can tell you definitively one of the primary barriers that we face is funding, and that's no surprise. Energy efficiency pays back and in many cases and in many schools, especially schools that have not been touched from a renovation standpoint anytime recently, their paybacks are less than five years easily. There is money on the ground just waiting for us to pick it up. The question is can we get over that initial financing hump. That's really one of the most pressing things. Now with that said, there are opportunities all over the place that require no cost whatsoever, simple operational practices and we're in the process of laying those out now. But those will soon come to an end and we'll come to a point when we need to figure out how we finance some of these things. Case in point, we are in the middle of a pretty major lighting retrofit in the Omaha Public School District right now. We did 21 schools last summer; we're planning on 35 this summer. The payback is less than two-and-a-half years, and we're looking in total probably when it's all said and done saving about \$500,000 a year. That is \$500,000 every year for the year after. So once we get through that initial financing phase, we're good to go. I wanted to respond quickly to your question regarding gaming the system. These things should be very well spelled out before anybody invests any money in any of these things. There are experts all over the state that will need to guide these school districts through what kind of opportunities they pursue. So they'll be pretty clearly identified and I think they'll be safe there. And, you know, the flat out...the point is we're going to save money as a result in the long run. You know, we build schools and the schools are here to stay. You know, OPS often says we build 100-year schools. Building them efficiently so they run efficiently, and renovating them so that they run efficiently will save us millions and millions and millions and millions of dollars as we go through the course of those school's lifetimes. Thank you. [LB283]

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SENATOR ADAMS: Thank you. Are there questions? Thank you. [LB283]

CRAIG MOODY: Um-hum. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

JOHN BONAIUTO: Senator Adams, members of the committee, John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, executive director, Nebraska Association of School Boards. I'm here to support LB283 primarily because I like to say QCPUF (laugh). But beyond that, I really do appreciate Senator Haar bringing this bill forward and the work that he's done on the green school concept and this is another tool for school boards that I think is very important. And I would say that the reason that I think more districts aren't involved in working with the QCPUF or doing things that they might do under different bonding-type programs is that back in the day before the levy was collapsed into the \$1.05 that we have currently, boards, they were able to levy for building and facility projects. And one of the concerns that we had at the time that the Revenue Committee was working on trying to get a handle on the levies that were all over the place and bring them under some control was that when you take and put bricks and mortar and facilities in competition with learning and instruction, the facilities and those types of things that you would do to improve your energy situation will lose every time. You invest in teachers and kids and not the facility. So I think that having this option as a tool is important and having it be open for energy efficiency is good. Not that a school board would ever think of gaming the system, but working with these types of bonding opportunities, there is usually a bond council involved that will tell you if this is something that you can do or can't do. And the bond council will usually say: I think you'd better pass a bond issue to do that if you want to do that because you're going around the vote of the people or you need to find another way to deal with this. So...and I just ran into one of the bond councils here that has policed this area and done a great job with other types of bonding. The last thing I would say is there's another bill that you're going to hear next which is LB522. And I think if you were to avail the bonding opportunity to school districts and to boards, then having the energy audit of some sort makes sense to how you would do your projects. I have...I'm a little nervous that...and I will conclude here, that having all districts have to do the energy audit, and I'll speak to that in the next bill, without any money attached is a difficult situation. I will conclude with that. [LB283]

SENATOR ADAMS: Thank you, John. Are there questions for Mr. Bonaiuto? Thank you, John. [LB283]

JOHN BONAIUTO: Thank you. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

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MIKE DULANEY: Senator Adams, members of the committee, my name is Mike Dulaney, D-u-l-a-n-e-y, executive director for the Nebraska Council of School Administrators and we, too, are in support of LB283. We've had the opportunity to work with Senator Haar and participate in the green summit and we certainly appreciate all that he's trying to do. What I want to take the time to do is let you know a couple of things that schools are doing, not all schools. But our organizations is certainly trying to encourage school districts to look at ways to save costs through energy conservation. And one of those projects that, for example, Columbus is now employing and a few other districts have employed in the past is through a program called energy education. And what they do is set up a software system that's connected to all of the energy power sources throughout the school district, all the buildings within a school district. They know when lights are on. They know when boilers are running. They know when furnaces are running. All those things are happening so that they're aware. And the idea is that...and believe it or not just through simple turning lights on and off when they're not being used, when rooms aren't being used, makes a huge difference. And so this system enables school districts to actually reduce their energy costs over time. And so that's one idea being employed. Another is through a company called Benchmark4Excellence, and this is a company based in Texas. A few of our schools have used this. I know for sure in the Omaha area a few schools participated. It's a survey and what they do is through a number of indicators find out what their actual energy costs have been and then promote ideas on how to reduce their costs in time. And it compares those costs with other districts within the area. So we are...our association is certainly trying to encourage awareness through our conferences and seminars and doing all we can. We think this bill may possibly help in those types of ventures and projects. [LB283]

SENATOR ADAMS: Thank you, Mike. Are there questions? Thank you. [LB283]

MIKE DULANEY: Thank you, Senator. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

JON HABBEN: Good afternoon, Senator Adams and members of the committee. I'm Jon, J-o-n, Habben, H-a-b-b-e-n, executive director of Nebraska Rural Community Schools. I won't repeat a lot of what's been said because generally I agree with it in its application to the 200 Class C and D schools in the state. But I see it more focused in these terms. Most schools in the state, Class C and D schools, are engaged in retrofit rather than new school construction. So keeping this fund in proper focus--okay, you're not building a new school with the QCPUF fund--what you are doing in most cases is you are extending the life of something by changing it or improving it. Now having been a school superintendent who's used the fund in a variety of other type circumstances similar to this, what I can tell you is the more flexibility that you can put in this fund,

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which is intended for the purpose of retrofitting and improving facilities, the more you will help all schools particularly Class C and D schools who are in the business of retrofitting beyond I think what any of us can imagine. Now the suggestion 163 schools that were not using this and looking for a reason that they might not be using this, I think the reasons are all over the board. They can be anything from a school simply saying we don't want to add to our current debt or we don't wish to levy more than such and such. Some schools have magic numbers that they don't want to go over. It might have something to do with in our long-range planning, we may need to use this five years from now but not today. It may be we've got money in our school special building fund so we don't need to use the QCPUF bonding authority. There's all kinds of reasons from district to district. What I would simply tell you is that the more flexibility you build into this fund, the more you give the tools to that local school district within that 5.2 cents to do the best they can with the facilities they have toward improving those facilities, and that includes going green because that's also money savings. So thank you very much for considering this. I think it's a very important option to have on the table. [LB283]

SENATOR ADAMS: Thank you, Jon. Questions? Senator Sullivan. [LB283]

SENATOR SULLIVAN: Thank you, Senator Adams, and thank you, Jon. So as written, do you think that this proposed legislation gives that flexibility that you're wanting? [LB283]

JON HABBEN: It does. And I was trying to think of a circumstance where, for example, a school might have decided on a project that fit the current definition and bond council approved it. And the school may have wanted to go further in the green direction and bond council may have looked at that and said, no, no, that doesn't fit the scope. And so the project could have actually been improved, it could have actually been done more in a green scope than it was originally with this definition, with this expansion. And I think that's the flexibility. I think one of the things...and, you know, I'm not a mandate person so I tend to see these things in terms of local school districts making decisions. But I can see local school districts being able to think more about the possibilities of green with this expansion in the fund definition. I know in my last district, we used 5 cents out of the fund. We talked about a variety of things. We knew that some of them may have been really good ideas but may have been outside that bond council potential approval. [LB283]

SENATOR SULLIVAN: Okay. Thank you. [LB283]

SENATOR ADAMS: Other questions? Thank you, Jon. [LB283]

JON HABBEN: You're welcome. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

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KEN WINSTON: Good afternoon, Chairman Adams, members of the Education Committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, appearing on behalf of the Nebraska Chapter of the Sierra Club and I intend to make my testimony efficient. (Laughter) We believe...we support LB283, we believe that efficient use of energy is an important part of making government operate as efficiently as possible. Reduction in energy costs by school districts provides a benefit to taxpayers. LB283 would provide a funding mechanism used for many other purposes to energy efficiency purposes. We believe this is a prudent use of this mechanism. We would ask that LB283 be advanced. Be glad to answer your questions. [LB283]

SENATOR ADAMS: Great. Thank you. Are there questions? Thank you. [LB283]

KEN WINSTON: Thank you, Senator. [LB283]

SENATOR ADAMS: Next proponent. [LB283]

LARRY SCHERER: (Exhibit 4) Good afternoon, Senator Adams, members of the Education Committee. For the record, my name is Larry Scherer, that's S-c-h-e-r-e-r, and I represent the members of the Nebraska State Education Association. We support this legislation and have been supportive of Senator Haar and his green schools effort. And it just crossed my mind that the recent political tumult in the Mideast and the crisis we're going through now is something that we're going to face more and more, so we're going to be more and more reliant on our own innovation to address our energy needs. Again, I can't say anything really other than this grants another purpose within that 5.2 cents that schools could use for a very good purpose, save money hopefully, spend their money on education in many different essential ways, and also to create a healthier environment and more positive environment for teaching and learning. So with that I'll ask you to seriously consider advancing this bill to General File. Thank you. [LB283]

SENATOR ADAMS: Thank you, Larry. Are there questions for Larry? Seeing none, thank you. [LB283]

MARK SHEPARD: Senator Adams and members of the Education Committee, my name is Mark Shepard, M-a-r-k S-h-e-p-a-r-d. I am the associate superintendent for business affairs for Lincoln Public Schools and today we are proponents of LB283. I think as we look at energy efficiency and we look at the definition that's currently in the QCPUF legislation, energy efficiency actually fits quite well. We currently utilize the QCPUF fund to issue bonds and to complete projects under the indoor air quality, under mold prevention, under a number of different qualifiers. I will tell you that probably the biggest piece that is missing deals with lighting. In many of our projects we do incorporate lighting into the projects, and so we have to find a different source of funds

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for those projects. I know that Mr. Habben when he presented earlier talked about the small schools primarily using retrofitting as opposed to building new schools. LPS builds new schools when we need to build new schools based on our growth and enrollment, but we also have a major renovation, major retrofit process where currently when we're done with the current projects, we'll have about two-thirds of our buildings that have gone through a major renovation in the last ten years. Much of what is done is done in an effort to make the schools more green, make the schools a much better learning environment. And this expansion of the QCPUF legislation would allow for us to incorporate some energy efficiency as well. Thank you for the opportunity. [LB283]

SENATOR ADAMS: Thank you. Are there questions? Thank you. Next proponent. Any additional proponents? We'll take opposition testimony. Is there any? Neutral testimony. [LB283]

SCOTT KEENE: Thank you, Senator Adams and committee. My name is Scott Keene, K-e-e-n-e. I'm with Ameritas Investment Corp. and we underwrite municipal bonds in the state of Nebraska. As Senator Haar mentioned earlier, I'm here to answer any finance questions that the committee may have. I haven't heard any so far but I'm here to answer any questions that you might have. [LB283]

SENATOR ADAMS: Are there questions for Scott? Well, Scott...oh, I'm sorry, go ahead. [LB283]

SENATOR COUNCIL: Thank you, Chairman Adams, and thank you, Scott, for coming in. And in listening to the discussion that has occurred and support for the proposed bill and some of the concerns that may be out there about how school districts would utilize the QCPUF, maybe we have to come up with a different acronym (laughter). But in terms from a financing perspective, in order for a bond issue to be cost-efficient and cost-effective, we're not talking about small projects, correct? [LB283]

SCOTT KEENE: That's correct. [LB283]

SENATOR COUNCIL: I mean, you wouldn't go through a bond issue, you know, for \$45,000, \$50,000 worth of retrofitting. I mean, would you even recommend that to your clients? [LB283]

SCOTT KEENE: Absolutely not, and I think that comes back to some of the questions as to maybe why it hasn't been used as much in the past is because the typical definitions under QCPUF tend to be larger projects. They're roofing projects. They're air handling system projects. They tend to have a large scope, but the energy efficiency projects can tend to have a smaller scope. But there is still...so they might fit better for a smaller school district to do a small financing. But you're absolutely right, Senator Council. It would not...you would not justify the costs of doing a financing for only

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\$45,000 or \$50,000. [LB283]

SENATOR COUNCIL: Okay, okay. Thank you. [LB283]

SENATOR ADAMS: Other questions? Scott, tell me about the policing mechanism of making sure that within the parameters of the statute, however it might read, that schools are not trying intentionally or unintentionally to get beyond the scope of the statute and the use. [LB283]

SCOTT KEENE: I think that...I believe it was Mr. Bonaiuto that mentioned this, bond council...and Lauren Wismer is here today to testify on another bill with Gilmore and Bell is a bond attorney in the state of Nebraska, and we work very carefully with the school districts as well as the bond attorneys to make sure that whatever financing we may be structuring fits the definitions and qualifications under not only federal tax rule but also state statutes. And so this is something that the bond attorneys would be looking at very carefully. I would have to say that there is probably some time where those attorneys have to work through, especially a new bill, new language like this, to try to determine what qualifies and what doesn't. But they rely on their experience that they've had in other states with similar legislation or that their partners have had with similar legislation in other states and I think they are able to determine a fairly standard list of what projects qualify and what don't. There may be some modest amount of disagreement as there is right now under existing QCPUF between law firms as to what may qualify and what doesn't, but in general there's more agreement than there is disagreement as to what would fit. And I think as Mr. Bonaiuto said, that is probably the best rein that the Legislature would have in that process is that the bond attorneys would have to validate and approve any kind of project. [LB283]

SENATOR ADAMS: Okay. Are there other questions for Scott? Seeing none, thank you, Scott. [LB283]

SCOTT KEENE: Thank you very much. [LB283]

SENATOR ADAMS: Any other neutral testimony? Senator Haar, do you want to close? [LB283]

SENATOR HAAR: In closing on this bill, I just want to thank the people who have come in support of the bill. And we all seem to agree I believe, and this again came out of the Green Schools Summit out of suggestions that people had is that this would be a new tool that school boards could use. And I hope the gaming question was answered. That's not one I had a very good answer to, so. [LB283]

SENATOR ADAMS: Are there questions for Senator Haar? All right. That will close the hearing then on LB283, and we will open the hearing on LB522. Senator, whenever

you're ready. [LB283]

SENATOR HAAR: (Exhibits 5-8) Since we can't present PowerPoints, you know, up on a board, I brought some along today. And if anybody in the audience would like this PowerPoint, just hold up your hand and Tom will give you one. So, Tom, there. There we go. Okay. Senator Adams, and members of the committee, again, since I don't have a screen, I put together a PowerPoint. And I will apologize just a little bit. I forgot to tell my secretary, my administrative assistant, to put two per page, but we'll go through it this way. LB522. LB522 is about energy transparency. And the definition--I just use Wikipedia all the time here--is: Transparency implies openness, communication, and accountability. It's a metaphorical extension of the meaning of a transparent object as one that could be seen through. The second, page two, green schools. When we use this term there's a lot of different definitions. But in my definition it involves three things really. One is air quality. And as I mentioned earlier, we have a school not too far from here where they're actually having trouble with CO2 levels are too high for children, which makes you sleepy among other things. There's also schools, especially older schools, that have mold problems. And this is a very familiar picture for kids in schools anymore of kids using their little asthma nebulizer I guess you call that. Kids are having a lot of air quality problems in schools. And by the way, 20 percent of all Americans are in school right now. Most of those of course are children, and one of the interesting things I've learned in this whole process is children breathe more air than adults. As growing beings, they actually use more air. So when we talk about air quality, kids breathe more than we do. The second is lighting. And one person said in a quote I saw, light and health are completely integrated. And I think we all know that, that not only is it a matter of, gee, is there enough light to see what I'm reading but light itself has an impact on how happy and healthy we are. And then, finally, saving money. Green schools are about saving money, and you'll see some examples of that a little while later. So the reason I really got interested in green schools is it combines energy but it's mostly about children. Children in green schools, and there's a lot of anecdotal evidence now, are healthier, they're happier, and they perform better on testing scores. Lincoln Public Schools has done a lot to green their schools as you might know. And I talked to a teacher who actually had to use his nebulizer two or three times a day, is not using his anymore after the air quality of the building that he works in was improved. So it's about healthier, happier children who score better on tests and about happier, healthier teachers. What I'm going to talk about today is Energy Star for K-12 schools. This is a program of the US Environmental Protection Agency. And by the way, I borrowed liberally from a PowerPoint by Judy Sunde who works for OPPD. She had to go into the emergency room last night so she won't be here, but the slides with the little OPPD on the bottom I just...I borrowed from her. So what is Energy Star? Energy Star is government-backed, voluntary program that helps protect the environment through superior energy performance, energy-efficient solutions for homes, businesses, and institutions. The national symbol for environmental protection through energy efficiency is recognized by more than 75 percent of all US households. And you've probably seen

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this more and more now that when you buy an appliance or windows or light bulbs or anything you will see an Energy Star rating. Again, a program of the US Environmental Protection Agency. The slide opportunities in buildings. Commercial buildings generate about 50 percent of the US carbon dioxide emissions, commercial and industrial facilities. Thirty percent is estimated to be wasted. Now in Nebraska we have pretty cheap electricity but the price is going up. And so even for Nebraskans if we're wasting 30 percent of our energy, it's an issue. Energy costs represent a typical school district's second largest operating expense after salaries, more than the cost of computers and textbooks combined. And reduction of 10 percent in energy use can be possible with little or no cost, and I think that's what one of the former testifiers talked about, just such things as turning off lights and so on. Now K-12 sector statistics. Energy efficiency is vital to schools in the United States. It's estimated that \$6 billion are spent annually on energy bills in schools. And there's not only the savings of energy but energy efficiency prevents greenhouse gas emissions and improves students' learning environment. And through the Energy Star program, the Environmental Protection Agency provides schools with guidelines for superior energy built on the practices of leading organizations. More than 28,000 schools in the United States are now benchmarking in Portfolio Manager, which I'm going to talk about in a minute. Benchmarking. Benchmarking through Energy Star allows you to: compare one school building against a national sampler; compare all of your school buildings of a similar type to each other; and set priorities for use of staff time and investment capital. And I think that's really important that once you see where you're using your energy, then you can start to manage in a better fashion. Someone says you can't manage what you don't measure, and benchmarking is one way of managing. Benchmarking through Portfolio Manager. And this is an actual software program--Portfolio Manager by the EPA. Benchmark the energy use of all of your buildings. K-12 and office buildings can receive an energy performance rating on a 1 to 100 scale where 50 is average. Track changes in energy and water use over time is built into this system. Track and report cost savings and also CO2 emissions. I'm a strong believer that the school itself is the curriculum, and as children can watch what's happening to their CO2 emissions, they're learning about our environment. There's the Web site. Now the next slide is really interesting and you can't see...you know, you can't see the details on this except to make the point that the District of Columbia is benchmarking all of their schools. And when you look at this, again, a 50 percent rating is average, 100 percent probably nobody reaches that, but if you look at this graph of this school district, DC schools, you can see immediately where you start to ask the questions. If you'd like to see the whole article, I've referenced it there. In fact, the District of Columbia also has this for all of their government buildings. And that's my next step next year is not only to have schools benchmark but also government, state government buildings because I feel that the way that government uses energy is an important part of how effective government is being, how efficient and effective, and more and more people are going to see that as you get houses being benchmarked and schools and so on, we're going to ask more and more of our government. One interesting thing on this rating system, it's really very simple,

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you'll see in a minute, that it involves...I'll tell you exactly what it involves. In fact, could we get these passed out? When you get to a rating of 75, then it's required that you have an actual engineer come out and verify lighting and air quality. The initial rating under Energy Star for schools is simply energy usage, but once you get to that 75 percent mark, again, you have to have a professional engineer come out and rate it. In Omaha the way this works is that if a school reaches that, they call OPPD who sends out one of their trained engineers, and then OPPD shares the cost of that audit for air quality and lighting with the schools. The next slide is called "Assess Performance for Smart Energy Management." If you're going to try to make progress in this, you have to establish a baseline, then set goals, and then track and measure over a period of time. What Energy Star is about is setting a benchmark. And, again, I wish Judy were here because she talked to the people at EPA and they would not only work with us to provide some seminars on how to do this rating, but they would also segregate out Nebraska schools so that at a click you could see where your district compares with all other school districts in Nebraska. So the next, "Moving Forward: Taking Steps," select a team of stakeholders, become an Energy Star partner. Partner simply means you're going to go on the system. And learn to benchmark through Energy Star on-line trainings and then develop a plan and finally execute that plan. Here are just a couple of examples. Loudoun County Public Schools located in Virginia, 8.4...well, you can read the rest of that. But they're saving \$5.7 million a year and reducing carbon dioxide by 27,500 metric tons of CO<sub>2</sub>. Energy Star has awards too. If you get to a certain level, then you can get certain Energy Star recognitions for your school. The next one, Council Rock School District located in Pennsylvania. Again, they saved \$7.1 million in four years, and then you can see the Energy Star recognition that they got. They improved 20 percent, 30 percent, 40 percent, top performer, partner of the year, sustained excellence. And then the final slide, I'm going to suggest that schools they form a green team. And not only can you talk about energy use but recycling, green advocacy within the school. There's a school in Colorado where the students went around and they were kind of green cops you might say, but all they did was things like if the lights were left on in a classroom and there was nobody in there, they'd put a sticker on the door and that kind of stuff. Just by working on operation and maintenance, they saved 20 percent on their energy bills. The last two items, build monitoring device. UNL actually builds a lot of its own monitoring devices. UNL is doing a lot of energy efficiency work and they build the electronic devices, for example, that tell whether lights are on or off. They build the devices that work on their heating systems. And I asked one of them whether high school kids could be taught to do that and they said, yeah. So it'd really be neat if high school students could be building some of those electronic instruments to control...you can't manage what you don't control, to control what's going on in their school with the eventual goal that there would be one point somewhere in Nebraska, maybe at Peter Kiewit Institute, maybe at UNL, that could monitor schools across the state so that if over a weekend let's say...what's interesting, you set sort of a healthy baseline for what your school should look like. If all of a sudden that electricity use goes way up, you know, maybe somebody left the lights

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on in the gym or maybe the furnace filters need cleaning, simple things like this can make a huge difference in the energy expense that schools have. And then, finally, there's this last one says K-12 school at the top, and this initial step of Energy Star rating, again, it's really kind of audit light because you do it yourself and it's very easy. Here are the kinds of things you need to get onto the EPA K-12 school Web site: zip code; gross floor area; whether the school is open on weekends; percent of the gross floor area of the school is cooled; what is heated; the number of personal computers; the presence of cooking facilities; whether the school is a high school, yes or no; and then you need gas and electric bills. And that's it. That's it for getting on the Energy Star Web site. Now once again, once you get to that 75 percent, then you have to have your air quality and your lighting verified. But these initial steps as you look at them, you know, students can certainly do this kind of thing. The amount of...the cost getting onto the Web site, doing the initial stuff, and keeping monthly track is very small, very small. So with that, by the way, there's no fiscal note (laugh) on this bill or the last bill. It would require some additional work by the schools themselves, but as you saw from my checklist, it's a very minimal amount of record keeping and so on that it would take. We have said in the bill that it would go on the Department of Energy's Web site. Probably that would just be a link then to the EPA because, again, they said they would set aside a portion so that you could click on something that would just show Nebraska schools and how they compared nationally and to each other. My hope is that it would be a project that kids could do. My hope is that it would get citizens looking at how efficient their government is using...how efficiently government is using energy. And I would hope it would create some competition among school districts to consider upgrade, again, air quality, lighting, and energy savings. So that's kind of a long introduction but I wanted to tell you what this is all about. [LB522]

SENATOR ADAMS: All right. Thank you, Senator. Are there questions for Senator Haar? Yes, Senator Sullivan. [LB522]

SENATOR SULLIVAN: You said there's no fiscal note and yet...so I assume the department feels that it can oversee and publish all these reports under their existing staff. [LB522]

SENATOR HAAR: Yeah, and actually adding the data is done directly on the Department of Energy's Web site, so it really wouldn't be a matter...and I think they misunderstood that somewhat. It's not that schools would have to fill out something and send it to the Nebraska Education Department but they would go directly on-line to the EPA's Web site and do the data entry. [LB522]

SENATOR SULLIVAN: Okay. But it does say also that the department would be required to publish and maintain results for each school building on its Web site. [LB522]

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SENATOR HAAR: And that, again, would be done on the EPA's Web site. [LB522]

SENATOR SULLIVAN: Oh, I see. I'm... [LB522]

SENATOR HAAR: You see the data. [LB522]

SENATOR SULLIVAN: Oh, department, oh. [LB522]

SENATOR HAAR: Yeah, yeah. [LB522]

SENATOR SULLIVAN: Okay. [LB522]

SENATOR HAAR: I think the individual data...you know, people aren't going to be interested in how many square feet you have so much as your overall score, and that will be shown on the EPA Web site. [LB522]

SENATOR ADAMS: Other questions? Senator. [LB522]

SENATOR AVERY: The fiscal note probably ought to reflect savings to the schools too. [LB522]

SENATOR HAAR: Um-hum. [LB522]

SENATOR AVERY: But of course you can't know for sure what the savings would be. But I suspect that whatever small cost there would be to implement this would be more than offset by energy savings. [LB522]

SENATOR HAAR: Yeah, that's the anecdotal information that comes in from all over. You talk to Lincoln Public Schools and the money they invested in ground source heat pumps and windows and stuff will be repaid... [LB522]

SENATOR AVERY: Many times. [LB522]

SENATOR HAAR: ...not only in energy savings but in better air quality and better lighting. And the way it affects kids is...you know, we always talk about the bottom line because that's what catches our interest, but it's creating better space for our children to learn in. And, again, the evidence shows they're healthier. One study...one estimate is in 10 percent of American schools the air is not good quality for children, as many as 10 percent. And so the children would be healthier, happier, and actually score better. Teachers are retained better and so on. I think it's a win-win. [LB522]

SENATOR ADAMS: Other questions? Seeing none, thank you, Senator. [LB522]

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SENATOR HAAR: Thank you very much. [LB522]

SENATOR ADAMS: First proponent. [LB522]

CRAIG MOODY: Good afternoon. Again, my name is Craig Moody, C-r-a-i-g M-o-o-d-y. As I mentioned, we're representing the Omaha Public School District, the Green Omaha Coalition. I wanted to comment a little bit about Senator Haar's bill. This is the very first thing that we did when looking at Omaha Public School District's energy efficiency. Now we got paid to do it. However, I don't think we're going to get much argument that Omaha Public School District is extraordinarily large and complex, and that's the primary reason that we were even involved in helping them through this. I would suggest that any other school district in the state...and I believe that most of the larger districts have already benchmarked most of their buildings. Senator Haar is right. This is something that students can do. It is extraordinarily simple. I think calling it a light audit is probably going too far. It's as simple as collecting some data and inputting it into a Web-based system that is extraordinarily simple to use. With that said, the data that comes out is very, very powerful. It tells you a lot about your particular building, whether or not it's sufficient or not, and you can compare it nationwide. So a lower score is going to tell you we should probably pay a little bit more attention to this particular building because naturally the lower the score, the less energy efficient it is, it's going to represent some opportunity. Senators talked about the data that's needed. Again, it's very straightforward and simple to pull together. He did mention that once a school achieves a rating of 75 that they're required to get an engineer to verify illumination, lighting, and thermal comfort. That's not entirely accurate. They're not required to do that. Once you hit 75, you're eligible for an Energy Star label. So you can get the plaque, it looks great, it's a great story. But if you elect not to go that route, you can basically forego that and be comfortable with your score. I mean, it's just that engineer is confirming that all the information is correct and that you're not keeping your school at 62 degrees in order to conserve energy. It's really easy to segregate the data. It's really straightforward from the standpoint of how this is managed at the state level. I can tell you that the city of New York has mandated that all of their buildings do the same thing. It's as simple as checking a box, giving one entity or one individual access to your data and that it just all gets pushed. And so it's...the system is there and it's really simple and straightforward to use. I'll stop there. [LB522]

SENATOR ADAMS: All right. Are there questions for this testifier? Thank you, sir. Next proponent. [LB522]

KEN WINSTON: (Exhibit 9) Good afternoon, Chairman Adams and members of the Education Committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, appearing on the behalf of the Nebraska Chapter of the Sierra Club in support of LB522. As Senator Haar indicated, one of the big things about LB522 is that it uses existing resources. There's already a Web site out there that you can go to to figure this out. And as the previous

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testifier also indicated, it's not something where somebody has to reinvent the wheel or develop something that isn't already out there. And I understand that there's some concerns by school districts about whether this is going to require additional expenditures on their part, and back in...several years ago, I was on the Lincoln School Board and so I know how that concern weighs on school districts. They hate any kind of a mandate. They hate in particular if it costs...it's going to cost any more money for them. And so...but we don't think that that's the case. We think that's unfounded. As Senator Haar indicated, and has already been testified, there's a number of tools available to make these assessments, to do these assessments, and that you can even have the students do them, and those kinds of projects create more ownership among the students without any additional cost. And then also as has been indicated a lot of the things that can be done to reduce energy usage don't have any cost. Turning off lights, and as Senator Howard knows, turning off power strips, those can reduce lots of cost for businesses and government. Others have minimal cost, such as changing lighting system or just doing some weather striping and caulking. And the reduced energy usage provides a financial benefit to the school district and the patrons in the community. We also believe that there's a strong argument that school districts already have a duty to do this, to be as energy efficient as possible and that this merely sets out a mechanism to make it happen. We also believe that the public deserves to know the energy usage of their schools and this would be a way to make that happen. We'd advocate for LB522 to be advanced. Thank you. [LB522]

SENATOR ADAMS: All right. Thank you. Are there questions? Thank you. [LB522]

KEN WINSTON: Thank you. [LB522]

SENATOR ADAMS: Next proponent. [LB522]

LARRY SCHERER: (Exhibit 10) Good afternoon, again, Senator Adams, members of the committee. My name is Larry Scherer from the Nebraska State Education Association. The association supports this legislation and Senator Haar's efforts and green schools. I was thinking about some of the probable arguments against this is it has to do with another mandate telling a school board what to do. And there are a lot of ways to accomplish this and several have been mentioned. The science teacher is always looking for projects to do. There's ways to do this and ways that are fun and interesting and part of the learning process, and hopefully that can be factored into this. It was mentioned earlier about the geothermal project. NSEA did the geothermal heating, and I also experienced that in my home and it is very efficient. It does repay itself. It's something, you know, we just do on your own. You know, you find out what's going to be a good investiture of your funds, but it does work. I would just support this bill and the NSEA is supportive at looking at all different ways to accomplish the goals here. [LB522]

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SENATOR ADAMS: Okay. Thank you, Larry. Questions? Guess not. Thank you, Larry. [LB522]

LARRY SCHERER: Thank you. [LB522]

SENATOR ADAMS: Next proponent. [LB522]

MIKE KROS: (Exhibit 11) Good afternoon. Mike, M-i-k-e, Kros, K-r-o-s, again, representing Nebraska Flatwater Chapter of the US Green Building Council. We are in support of this bill, LB522, for a lot of the reasons stated previously. Energy use is a significant portion of the schools' cost which then is significant for the state's cost, and so it only makes sense to try to reduce that cost for a lot of reasons. And the first thing to do, as again mentioned earlier, is where are we at, figure out where that is, and the Energy Star benchmarking is an excellent tool to do that with. So in summary, we're just in favor of this bill. Thank you. [LB522]

SENATOR ADAMS: All right. Thank you, sir. Are there questions? Thank you. Any other proponents? If not, opponents. [LB522]

JOHN BONAIUTO: Senator Adams, members of the committee, John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o, executive director of Nebraska Association of School Boards. You know, the Grinch was green and so I (laugh) don't think it's appropriate to be talking about the green schools that I'm going to be the Grinch on this bill. And, you know, we worked with Senator Haar, and the green schools concept is one that we feel is important. But in LB522 on line 15, there's that pesky word "shall", and we think that we would like this bill a lot better if it strongly encouraged schools to participate in the Energy Star audit. I really think that if you're going to expand QCPUF, a district is going to need a plan, they'll probably have to have some kind of an energy audit. The Energy Star rating could be tied to that, but I think that money makes a difference. And if a district wants to participate and get involved in some green schools and energy projects, then that goes hand in hand. So I think to ask schools to get involved in this just to be involved without having some incentive or some money or bonding that might be available is difficult. So I would hope that you would look at this as a bill that could be changed from a mandate to strongly encouraged. So with that, I will conclude my testimony. [LB522]

SENATOR ADAMS: Thank you, John. Are there questions for John? Thank you, sir. [LB522]

JOHN BONAIUTO: Thank you. [LB522]

MIKE DULANEY: Senator Adams, members of the committee, Mike Dulaney, D-u-l-a-n-e-y, executive director for the Nebraska Council of School Administrators, very quickly to expound upon what Dr. Bonaiuto said. We like what Senator Haar is

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proposing here. It's just the mandate that we have to deal with. Now we...our organization would be more than happy to encourage members to voluntarily comply with this so that we could look at the data. It would be helpful to see. And so we would encourage that. We'd put it on our Web site to encourage members to do that. And maybe that would be a way to do it rather than passing this legislation. So we do support what Senator Haar is trying to get at. [LB522]

SENATOR ADAMS: Okay. Thank you, Mike. Questions for Mike? Anyone? Thank you. [LB522]

JON HABBEN: My name is Jon, J-o-n, Habben, H-a-b-b-e-n, executive director of Nebraska Rural Community Schools. I echo what John and Mike have said. I mentioned to you earlier I'm not a mandate person and, you know, you can have that philosophical discussion all day long. But to encourage this--absolutely. To help with this--absolutely. To participate in helping our members toward this--absolutely. But I think when you begin to require it, you set up the possibility of unintended consequences down the road that we may not be able to either measure or anticipate today. And with that in mind, I would like to see not a mandate but I would like to see a joint participation in helping Senator Haar toward making this happen. Thank you. [LB522]

SENATOR ADAMS: Thank you, Jon. Questions? Senator Avery. [LB522]

SENATOR AVERY: Thank you, Mr. Chair. Would you...we've heard now three people say that they don't like the mandate idea, and you said that you were afraid that it might create some unanticipated consequences. Give me an example of what this might do that you would find unpleasant or unable to live with. [LB522]

JON HABBEN: One of the things that I think can happen as a school district sits down to plan that school board administrative team type planning activity pretty consistently done I think in the schools that I represent, you can cause the discussion to be dragged in one way or another by various publics deciding what is or isn't important. You've got limited resources. The school board has to make those decisions. Everything can't be done. QCPUF is limited to 5.2 cents, even with the additional flexibility that LB283 would provide. But what you do is you cause the process to become more difficult, more burdened by more and more ideas and information. Now you might look at that and say, what would be wrong with ideas and information. Well, the problem is the process always has a time line. The process always has a, we've got to get to Point A, then we've got to get to Point B, and we've got to decide what those points are. I see this as being a required piece that school districts have to do as simply delaying that process. Now could a school district say, I think I want to use that tool? The school board says, I think I want to use that tool to check this. You know, we've got a building over here that I'm just not so sure about. Let's have an energy audit done by either this method or by another method. Absolutely. Schools board, have at it. But that's where I'd like to leave

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that kind of a decision. [LB522]

SENATOR AVERY: You know, I haven't been here all that long but I've heard a lot of people talk about the "may" and the "shall" and the "may" and the "shall" in legislation. My feeling is after four years is that most people would rather see the word "may" in everything (laughter) and let's just don't do any "shall." [LB522]

JON HABBEN: Well, I'd like to pick too. I understand, yes. [LB522]

SENATOR AVERY: For me, you know, we...if all you do is say you may do this, then we may not get very far in this state. So I'm unimpressed with this argument. [LB522]

JON HABBEN: What I would I guess set on the table is, in my last superintendency we used a lot of energy audit information. Nobody had to mandate it. Nobody had to tell us to do it. We looked at it as part of our responsibility to be proactive. I can't tell you that 100 percent of schools would look at it that way in every planning activity. I guess I just feel that given all of the stuff on the school board table, they've got plenty and I think they can make those decisions about what to use as tools toward their own ends. And like I said, it may be somewhat of a philosophical difference, but that's the way I see a school board being able to function. [LB522]

SENATOR AVERY: Well they'd function with a lot of mandates too. [LB522]

JON HABBEN: Um-hum. [LB522]

SENATOR AVERY: And they do a lot of things that under the pressure of this Legislature they wouldn't otherwise do. [LB522]

JON HABBEN: Agreed. [LB522]

SENATOR AVERY: And I don't...I'm going to support this frankly. Thank you. [LB522]

SENATOR ADAMS: Senator Sullivan, did you have a question? [LB522]

SENATOR SULLIVAN: Thank you, Senator Adams. Well, short of mandating it, you seem, former administratorship, to have been a little ahead of the curve, so how would you encourage other schools to be more participatory in this rather than mandating it? [LB522]

JON HABBEN: Well, one of the things that I notice a lot getting a chance to talk to my colleagues at various conferences and meetings, there's a lot of shared information about good ideas. We're looking at doing such and such. I know you already did it. How did you do it? Is there somebody else I can talk to? What are the possibilities? Let's call

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a construction company. Let's call an energy audit firm. You see a lot of that discussion going on. I think one of the best ways to promote that discussion is to put the information out there as an available tool. I think it makes it easier for superintendents and boards to look at it as not something forced upon them but as something they can choose to participate in. I tend to believe most superintendents and school boards, the approach of choosing to participate is a more welcome...you look at it as an opportunity. You look at it as something not being set upon you but you look at it as something that allows you to be forward-thinking and moving in a direction that you should be moving in. It gets back to...and I understand the senators...is there a list of things that as a superintendent I (laugh) would have liked to moved from the "shall" to the "may" category? Yeah. (Laugh) And not all of us would agree on the list. It all depends on what affects you at any given time. And so I won't disagree with needing to say "shall." I will simply look at this circumstance as I'd rather see it as a set of tools and an opportunity than I would as a "shall." [LB522]

SENATOR SULLIVAN: Thank you. [LB522]

SENATOR ADAMS: Other questions? Thank you, Jon. [LB522]

JON HABBEN: You're welcome. [LB522]

SENATOR ADAMS: Any other testimony, opposition testimony? Neutral testimony? Senator Haar. [LB522]

SENATOR HAAR: Well, I've had most of the testifiers at many meetings with me but none of them before wore the T-shirt of green Grinch. (Laugh) So I'll try and get you that T-shirt. I'll have to find out what size you wear. What I'm talking about here today is Energy Star benchmarking. Very simple. Could be done...should be done probably by students. And it will provide valuable information about the efficiency and effectiveness of government. Probably will be my priority bill. We've given time to do it. I can't...my LA and I can't remember how much time we gave, I think till 2014 or something to get this and it's really a pretty simple process. I'm reminded again of course that mandate is a four-letter word. And we'll certainly look at that issue. Really part of my objective here is, again, the school is the curriculum...the school itself is the curriculum, and my hope will be that kids involved in this process of this simple audit of their schools and other sorts of things would get excited and take it home. And that's where I want to see it happen. I will keep working to develop the kinds of things that will give schools the opportunity to work with this. And one of them that we talked about at the Green Schools Summit and this one is called an ESCO, energy service company, and it's a mechanism for financing. Grand Island used it in its schools. It's where...there are quite a number of large national companies that have been doing this for decades, things like Johnson Controls, Siemens, Trane, Chevron, and so on, have departments called ESCOs, energy service companies. They will come in and actually do an energy audit of a

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school or a building, whatever, guarantee savings, guarantee a percent savings, and then based on that you pay back the retrofit with the savings. It's something we're going to try to get the word out more and more. Again, I had the green Grinch in the room with me one day when we were talking about that, and so we're not only looking at the mandates and maybe we won't even have this as a mandate, but also ways for schools to finance greening. And, again, green meaning good air quality, good lighting, and saving money, a better place for our kids and our...to learn and our teachers to teach. So thank you very much. [LB522]

SENATOR ADAMS: Thank you. Are there...yes, Senator Howard. [LB522]

SENATOR HOWARD: Thank you. Thank you, Mr. Chairman. I'd just like to say I always appreciate the bills you bring in. It always makes me feel more hopeful (laugh). And don't forget the power strip issue. (Laughter) [LB522]

SENATOR HAAR: Okay. [LB522]

SENATOR ADAMS: Are there other questions? If not, thank you, Senator. [LB522]

SENATOR HAAR: Thank you very much. [LB522]

SENATOR ADAMS: (See also Exhibit 12) That will close the hearing. And we're going to begin with LB633 and LB634 and we're going to take both of those bills in a combined hearing. So if you choose to testify, would you when you come up designate very clearly on the record whether you are for or against in each particular bill, please. [LB522]

SENATOR HOWARD: Welcome, Senator Adams, to your Education Committee. [LB633 LB634]

SENATOR ADAMS: Thank you. [LB633 LB634]

SENATOR HOWARD: And you are going to be bringing us today a combination of two bills: LB633 and LB634. [LB633 LB634]

SENATOR ADAMS: That's correct. Thank you, Senator. My name is Greg Adams, A-d-a-m-s, representing the 24th Legislative District. The two bills that I bring to the committee today, actually they dovetail with one another, hence the combined hearing, were brought to my attention by school districts that actually have issued QCPUF bonds, have issued Build America Bonds, have issued the qualified construction bonds. And if you look at the chart that Senator Haar handed out, in essence today we're dealing not...he was dealing just with QCPUF. These two bills deal with three categories of bonding: the QCPUF, the Build America, as well the Qualified School Construction

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Bonds. Now all three types of bonds do not require a vote of the public. All three types of bonds merely require a public hearing on the part of the school board and with the approval of the school board then has the authorization to levy up to 5.2 cents for these kinds of bonds. The two bills deal with two separate things. One of them, first of all, is refunding of these bonds. There is bond counsel here as well as bond underwriter here that can go into the details of this. But the essence of it as I understand it, it has been drawn to my attention that the statutes regarding these three types of bonding mechanisms may not be very clear as to whether or not the schools can refund these bonds, to turn around and reissue bonds, call them and reissue them. Now you might ask why would a school want to do that. Well, one would assume a lower interest rate would be a benefit to the property taxpayers within that school district. But there may need to be clarification in the statute so that it's identifiable to bond counsel as well as to school boards and their legal counsel that they do have the ability to refund these bonds. The second issue digs a little bit deeper. Recognize that as I stated a moment ago that school districts currently under these bond programs...and by the way, let me back up for just a moment, all of these bond programs that we're talking about, the three of them, as I said, do not require a vote of the citizens of the school district, these in some form or another have interest subsidized by the federal government. Okay. And what a school district may do is to issue these bonds, up to 5.2 cents, and obviously when they structure it whether it's for QCPUF, Build America, whatever it may be, they're going to structure it based on their valuation. The problem that's been brought to my attention is what if, what if, what if. If it was a normal General Fund obligation that a school district went to their voting public and said, we want to borrow a million dollars to build a new school building and they took it to a vote and their public said yes, under that circumstance then given that there had been a vote of the public, the General Fund valuation of the school district is then in effect obligated to that bond issue. The problem here is we don't have that. We don't have that. That's not clear. And as a result I think that you will hear today from bond counsel that if a bond counsel is looking at this and saying, well, there's...you've levied 5.2 cents on this much of your valuation, which is all fine and good, it falls within the parameters of federal law and state statute, but what happens during the term of this bond if that valuation drops below...keep your eye right here, drops below that one? All right. Do we have an issue? Well, from bond counsel's standpoint we do because what's going to back up that bond now? It was supposed to be this valuation but for some reason the valuation of that school district dropped below the level of valuation at the point of issue and now we got a problem. What backs it up? Well, if there wasn't anything to back it up, I imagine what you're going to hear from bond counsel today is that they have a bit of a hard time giving it a very good rating, that bond. So buyer beware, so to speak, as the general valuation is not there to protect it. So what the bill would do is to say, all right, look, when you're issuing these bonds, if by chance the valuation when you issued these bonds fell below that level, the level of valuation that you issued at, we would allow that school district additional levy over the 5.2 to cover that gap right there, just to get them back to where they were at the point of issuance, not anything new. Let's not dump new programs in. That's not what we're

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saying. Let's just cover this amount right here. That would be my understanding of the two bills. So you've got allowing them to come back up to this level so that there is admittedly now, we need to be aware of this, there's some commitment of general valuation, general property tax valuation to that bond that there technically was no citizen vote on, and then the mechanism to allow them to refund these bonds. And the Build America Bonds, I would point out, are about to terminate and go away, but nonetheless the QCPUF are still available, the qualified zone construction bonds are as well. I'd try to answer questions, and there's some experts in the bond underwriting and bond counsel fields that are here. [LB633 LB634]

SENATOR HOWARD: Do we have any questions? Senator Sullivan. [LB633 LB634]

SENATOR SULLIVAN: Senator...thank you, Senator. [LB633 LB634]

SENATOR HOWARD: Sure. [LB633 LB634]

SENATOR SULLIVAN: Senator Adams, was this brought to you by some of the bonding companies or school districts that were dealing with these problems? [LB633 LB634]

SENATOR ADAMS: School districts that were dealing with the problem that their bond counsel said, well, wait a minute, we see an issue. And I'm going to presume to say that it's quite possible that not all bond counsel might see this the same way, but certainly the school districts that came to me, their bond counsel said, we can't rate your bonds as high because we see some problems here. [LB633 LB634]

SENATOR SULLIVAN: I see. Okay. Thank you. [LB633 LB634]

SENATOR HOWARD: Senator Haar. [LB633 LB634]

SENATOR HAAR: This also came up at the Green Schools Summit and maybe this is partly a spin-off of that, people asking what happens...with this very excellent diagram, you know, what happens if valuation falls. [LB633 LB634]

SENATOR ADAMS: Right. And, you know, I would generally think and particularly the school districts that I spoke with during the interim about this structured their bonds wisely. They didn't go out for the full 5.2 cents realizing that valuations change. But I suppose in that hypothetical situation, particularly now with land values going at double-digit, what happens if a school district went out and went up the whole 5.2 cents on double valuation, and then all of a sudden the market crashes and valuations drop? Now what? I don't know how likely that is but these bond counsel folks get a little antsy I guess and want to make sure that all the holes are plugged in their business. So that's what this is about. [LB633 LB634]

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SENATOR HAAR: Good. [LB633 LB634]

SENATOR SULLIVAN: Thank you. [LB633 LB634]

SENATOR HOWARD: Would this be similar to, in the housing market, being under water? I have to ask that because I'm not a bond expert, but. [LB633 LB634]

SENATOR ADAMS: Well, I think there's a little more protection here in that, first of all, you have the valuation of a school district and the taxpayers and you also have some federal subsidy. Now one might call into question the continuation of federal subsidies on these things, but that becomes speculative as well. [LB633 LB634]

SENATOR HOWARD: All right. Thank you. Proponents to these two bills. [LB633 LB634]

SCOTT KEENE: Thank you. Thank you, Senator Adams and committee. Senator Adams did such a nice job of describing the situation that we're in that we may be looking to engage him as a bond underwriter at some point or at least be willing to run around and talk to... [LB633 LB634]

SENATOR ADAMS: Is it better than \$12,000 a year? (Laughter) [LB633 LB634]

SCOTT KEENE: Just barely. I am Scott Keene, K-e-e-n-e, and I represent Ameritas Investment Corp. And as I mentioned earlier, we work with a number of school districts and political subdivisions across the state and I am speaking today in support of LB633 and LB634. The senator did, again, a very nice job of covering most of what I was going to say. But it is...I did want to remind the committee that LB633 we see really as a cleanup bill that does codify and clarifies school districts' ability to refund their bonds. As he mentioned, some bond attorneys in the state believe that that ability already exists for school districts, some do not. And so we would like to make it clear for all school districts that they do have the ability to refund these bonds. And, again, as the senator mentioned, there are really two primary reasons why a school district might want to refund the bonds. One is to take advantage of lower interest rates that might be available. And the second is if there is ever an interruption in the receipt of the federal subsidies. The senator described the Build America Bonds and the Qualified School Construction Bonds, both have significant subsidies coming from the federal government. If there's ever a delay in the receipt of those subsidies, or worst case, a termination of those subsidies, rather than forcing those school districts to continue to make payments on higher interest rate taxable bonds, we would like to have the ability to allow those school districts to then go out and issue much lower interest rate, hopefully much lower interest rate tax exempt bonds. So it is a critical mathematical calculation. We do not expect the federal government will terminate those payments but we certainly need to have that flexibility, school districts need to have that flexibility

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should that happen. LB634 will dramatically improve the creditworthiness of school district financings because it will make those bonds a better credit risk from the bondholders' perspective as well as from the rating agency's perspective. That will result in lower interest rates and lower levies paid by the school districts for those bonds. Many bond issuers across the country have refused to buy limited tax bonds like these bonds because they have seen valuations dropping in so many communities. We've not seen the kind of drop in Nebraska that we have in other states, but those bond investors are staying away from all. They're painting them all with the same broad cloth of being a limited tax and having a greater level of risk than other financings. So we strongly support both of these bills. Both will benefit school districts dramatically and will allow for much more efficient and effective issuance process for the school districts and more greater management of their debt. [LB633 LB634]

SENATOR HOWARD: Okay. Thank you. Senator Haar. [LB633 LB634]

SENATOR HAAR: So...and thanks again for this. I've referred to this many times. (Laugh) [LB633 LB634]

SCOTT KEENE: Yes. Good. I'm glad it's been useful. [LB633 LB634]

SENATOR HAAR: What LB634 does essentially, it says if valuation falls then the school can extend its nonvoting taxing authority to cover that, not for anything new but just to cover that difference. [LB633 LB634]

SCOTT KEENE: That's correct. Only to the extent...they have to meet two conditions. The valuation of the district has to drop below the valuation in existence at the time that the most recent bond issues were completed, and they also have to meet the condition that the 5.2 cents at this new valuation level is not sufficient to cover the debt services. So it really only occurs when the immediate repayment of the bonds is at jeopardy. If the district issued their bonds at 4...with a current levy of 4 cents and they went along for a number of years and the valuation dropped, the district does not have the ability...just because the valuation is below the original valuation, they don't have the ability to levy above the 5.2 cents unless 5.2 cents at that newer low valuation cannot cover the debt service. We're not looking for school districts to have the ability to issue above the 5.2 cents just to build up a cash balance. Their bonds must be in essence in immediate risk of default before they're able to levy those taxes above the 5.2 cents. [LB633 LB634]

SENATOR HAAR: Okay. [LB633 LB634]

SENATOR HOWARD: Did you mention that some schools are already using this, already doing this? [LB633 LB634]

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SCOTT KEENE: School districts are already issuing...have for a number of years been issuing the qualified purpose bonds, the QCPUF bonds. With the 2009 ARRA act, school districts late in 2009 and throughout 2010 were issuing Build America Bonds and have done a number of the Qualified School Construction Bond financings. And a number of school districts in the state of Nebraska still have allocations of the Qualified School Construction Bonds to be issued in the next year, two years, three years, or four years. So, yes, these bonds will continue to be issued even though at some point the ARRA authorized bonds will disappear. Again, the QCPUF bonds are not ARRA authorized bonds, they're state of Nebraska authorized bonds, so absent some change in statute, those...that authorization will go on forever. But specifically the Build America Bonds and the QSCB bonds at some point may disappear. Congress has not enacted legislation to extend the authorization to buy those bonds. [LB633 LB634]

SENATOR HOWARD: Okay. Thank you. Do we have any other questions? Oh, Senator Haar. Yes. [LB633 LB634]

SENATOR HAAR: Is this close to what you visualize QCPUF to look like? (Laughter) [LB633 LB634]

SCOTT KEENE: That's a tasty looking QCPUF. [LB633 LB634]

SENATOR HOWARD: Thank you. [LB633 LB634]

SCOTT KEENE: Thank you very much. [LB633 LB634]

LAUREN WISMER: Good afternoon, Senator Adams and members of the Education Committee. My name is Lauren Wismer, L-a-u-r-e-n W-i-s-m-e-r, and I am a bond attorney, be that famous or infamous this afternoon I guess is your decision. I am an attorney with Gilmore and Bell which is a firm of attorneys that specialize in public finance work in Nebraska and throughout the Midwest. And I am here today to testify in support of both LB633 and LB634. We appreciate the attention of the Legislature to these matters. I don't know that I can add much to what has already been said by Senator Adams and by Scott, but these issues are important to Nebraska borrowers and it's important I think for the committee to consider and for the Legislature to consider the issues that are raised by this legislation. If you've been reading the Wall Street Journal, you know that there has been an increasing number of articles on public bodies, states, political subdivisions borrowing money and some of the concern about the financial condition. That extends, as Scott has indicated, to these kinds of obligations where there is a limited tax. It may not be significant in some of the larger districts in the state because they have a lot of valuation, but if you take a smaller district in a small town, and the one that comes most immediately to mind might be DeWitt where you have a major employer and a major manufacturer in the community that for unfortunate reasons is required to cease operations. The plant shuts down. That

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has an impact pretty significantly on the property values in that community. If that district has a significant amount of bonds authorized under 79-10,110, it can pose a problem. And I don't think I could do a better job than Senator Adams and Scott in terms of explaining what the bill allows. Essentially only what is necessary to make sure that the payment of the principal of the interest on the bonds do not go into default. If you have any questions, I'll be happy to try and answer them for you, and thank you very much for your time today. [LB633 LB634]

SENATOR HOWARD: Do we have any questions? Senator Haar. [LB633 LB634]

SENATOR HAAR: Just real quickly, are school bonds a good sell right now? [LB633 LB634]

LAUREN WISMER: I don't know that I'm the right person to answer that question. My job in the transaction is to make sure that all the legal requirements are satisfied. Okay? Scott is the one...his organization has as their primary business the sale of these bonds. I do know a little bit about them, and it's really...credit quality is very, very important these days. It used to be that the difference between interest rates on a AAA obligation and a A obligation from one of the rating agencies might be something like 20 or 25 basis points. That's basically two tenths to twenty-five hundredths of a percent. It's much, much greater than that these days. So with the turmoil in the financial markets over the last few years, it has been described as a flight to quality. So if you have a good credit rating, you can still borrow money at reasonable rates; if you don't, you have a much greater challenge in front of you. [LB633 LB634]

SENATOR HAAR: Gotcha. Thank you. [LB633 LB634]

SENATOR HOWARD: Any other questions? Appreciate the analogy to the community of DeWitt. They've certainly had unfortunate times. [LB633 LB634]

LAUREN WISMER: Yeah. It's a...that's the best example I can think of, although I'm certain there are others around the state where for one reason or another a major employer or a major, you know, property owner has had a change in status and it's significantly affected the value of the taxable property in the district. [LB633 LB634]

SENATOR HOWARD: Now this arrangement wouldn't have any consequence to the residents. I mean, there...by enacting this there wouldn't be any increase that they personally would have to bear. [LB633 LB634]

LAUREN WISMER: The only way in which that could occur would be if there was a drop in the valuation and it was necessary to raise the tax rate above the 5.2 cents. But under the legislation, that impact is only what is absolutely necessary to make sure that the bonds don't go into default. If they would, you know, as I indicated previously,

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there's a lot of concern and a default in one community in the state of Nebraska would impact all the other communities in the state of Nebraska. [LB633 LB634]

SENATOR HOWARD: Okay. Thank you. Do we have any other questions? No. Looks good. [LB633 LB634]

LAUREN WISMER: Thank you very much. [LB633 LB634]

SENATOR HOWARD: Thank you. Welcome to the Education Committee. [LB633 LB634]

MARK SHEPARD: Thank you. Senator Howard, Senator Adams, and members of the Education Committee, my name is Mark Shepard, M-a-r-k S-h-e-p-a-r-d. I'm the associate superintendent for business affairs for Lincoln Public Schools. Today I testify in support of both LB633 and LB634. The students and patrons of Lincoln Public Schools truly appreciate Senator Adams' willingness to bring this legislation before you and hopefully before the entire body. It's very important that these statutes be modified to incorporate both the issues that have been talked about in regard to issuance of bonds but also refunding and repayment of interest and principle for any outstanding limited tax obligations. We've already heard this afternoon from two very good experts, excellent experts in the technical and legal side of the issuance of bonds. We work at Lincoln Public Schools with Scott Keene. He is our financial advisor and he not only advises the district on future issuance, he also advises the district on the opportune time in the market to refund the bonds, to refinance the bonds, and ways in evaluating the various types of bonds, the ones that are on that list as well as the Qualified Zone Academy Bonds which are also part of that QCPUF legislation. I think the thing that we have to keep in mind is a number of districts over the past several years have issued either QCPUF, Build America, Qualified School Construction Bonds, and I think four or five years ago we probably would not have been before you because I don't think we were thinking about assessed valuations going the wrong direction. I can tell you that firsthand that Lincoln Public Schools experienced a negative assessed valuation two years ago. This past year, we experienced a slight increase of .7 percent. We did issue Build America Bonds a year ago and the levy for that issuance in total for all of our outstanding plus the new issuance is 4.2 cents of the 5.2 cents. The rate that we received is 3.92 percent, very good rate. I think the thing that brought this to our attention is that when we were preparing the documentation, working with the rating agencies, suddenly we started sensing that we were going to see a downgrade in our bond rating and we did experience that with one of the two rating firms. And the main reason for that downgrade dealt with the fact that there isn't that safety net. And so what we would encourage is that we continue to look at this. We would encourage that you move this legislation forward. As Mr. Wismer mentioned, it doesn't take Lincoln Public Schools to see...or to have a default for this to affect Lincoln Public Schools. It could be a district anywhere in the state and it will have a ripple effect across the state because

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when they look at that rating, they're not looking at just our community, just our school district. They're looking at the region, they're looking at the state. And so we appreciate the opportunity to testify today. [LB633 LB634]

SENATOR HOWARD: Okay. Thank you. Senator Haar. [LB633 LB634]

SENATOR HAAR: Yes. Mark, a couple of years ago I'd never heard of a QSCB or QCPUF. But Lincoln Public Schools issued \$250 million--wasn't that correct--in bonds to do the ground source heat pump and all the windows and all that, upgrade the schools. What kind of bonding was that? [LB633 LB634]

MARK SHEPARD: That was general obligation, voter approved bonds. In conjunction with that, Senator Haar, you may recall that the overall bonding plan, the overall facility planning involved not just the issuance of the voter approved bonds but also the use of QCPUF at that time. Subsequent to that, the Build America Bonds were authorized through ARRA, and so we incorporated that into the overall funding plan for the ten-year plan. [LB633 LB634]

SENATOR HAAR: Okay. Thank you. [LB633 LB634]

SENATOR HOWARD: Do we have any other questions? Thank you. [LB633 LB634]

MARK SHEPARD: Thank you. [LB633 LB634]

SENATOR HOWARD: Other proponents? Welcome. [LB633 LB634]

DOUG NABB: Senator Howard, Senator Adams, Education Committee, my name is Doug Nabb, D-o-u-g N-a-b-b, and I'm a lobbyist for Fremont Public Schools. We particularly are interested in LB633, the refinancing of bonds because we've been the beneficiary of going through that and having to refinance. And if you're in school finance at this day and age, I guess the easiest thing to say is you're looking for every break you can get because you need the money for so many things. So the LB633 and LB634, we both...we would support that. I think it's one of those things that you have to understand that given a community our size you could be in real trouble if you had a business that would fold on you, and that's not to say that they are going to, but potentially and that would take care...the resident valuation would drop drastically and then you'd have some problems with this. So this does provide a little bit of a safety net and every percent we could get would be beneficial to us as far as we're concerned. With that, I'd conclude my testimony, answer any questions if I can. [LB633 LB634]

SENATOR HOWARD: Thanks. Very much to the point. Thank you. Questions? I think you did a good job. Thank you. [LB633 LB634]

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DOUG NABB: Thank you. [LB633 LB634]

SENATOR HOWARD: Thank you. Welcome. Is the first time you've testified before us? (Laughter) [LB633 LB634]

MIKE DULANEY: Senator, thank you. Thank you, Senator Howard. Mike Dulaney, executive director of Nebraska Council of School Administrators. Consistent with our support of Senator Haar's LB283, we feel that LB633 and LB634 offer some options that...I'm sorry, there you are, that may be helpful to school districts. So we just want to add our support for both bills. [LB633 LB634]

SENATOR HOWARD: Okay. Thank you. Questions? Thank you. [LB633 LB634]

MIKE DULANEY: Thank you, Senator. [LB633 LB634]

SENATOR HOWARD: Welcome. [LB633 LB634]

JON HABBEN: Hello again. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools. Sitting in a discussion with the school board about this topic, one of the things that worries you is, okay, it's 5.2 cents. It's 5.2 cents. Well, if valuation goes up, it's 5.2 cents on whatever the new valuation is. Evaluation stays flat, it's 5.2 cents on that. What happens if it goes down? Well, it's not going to go down. (Laugh) It does. Even in the counties where we see ag valuations spiking there are historical periods where valuation was flat or went down. To look at it today you might say: in that county this is a nonissue. You don't have to worry about that. But they do, and they do have to make it part of their discussion in which you don't want the discussion to be is: yeah, we know it's 5.2 cents but really you better only talk about it being 4.2 cents because you got to protect yourself from the "what if." In other words, you just reduced a huge tool that you have to make good things happen. We certainly support both bills. Thank you. [LB633 LB634]

SENATOR HOWARD: Thank you. Let's see if there are any questions before you leave. Any questions? No. Thank you. [LB633 LB634]

BRIAN HALE: So everybody gets a turn. (Laughter) [LB633 LB634]

SENATOR HOWARD: Yes. [LB633 LB634]

BRIAN HALE: Senator Adams, members of the committee, Brian Hale, representing the Nebraska Association of School Boards. We would like to toss our support behind this bill. It seems a prudent measure to protect the well-meaning efforts of schools to accomplish things in a...using these bonded tools. Today the focus is on the urban areas with their valuation stagnation and in some cases mild reductions. But what we've

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learned if you're around long enough is what goes up must come down, and a number of years of double-digit increases in the rural communities at some point in time is going to moderate itself and create some real problems in school districts that have much smaller margins as a whole. So this is a good idea today in the urban areas, but this may well be a great idea in the future when some of the valuations in the rural areas come back to earth. [LB633 LB634]

SENATOR HOWARD: Okay. Thank you. Any questions? No. Nope. [LB633 LB634]

BRIAN HALE: Thank you. [LB633 LB634]

SENATOR HOWARD: Thank you. Are there any other proponents? Any opponents? Any neutral? Senator Adams... [LB633 LB634]

SENATOR ADAMS: I'll waive. [LB633 LB634]

SENATOR HOWARD: ...waives closing. Thank you. [LB633 LB634]