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EDUCATION COMMITTEE  
September 24, 2012

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[LR489 LR492]

The Committee on Education met at 2:30 p.m. on Monday, September 24, 2012, at Boone Central Elementary School, Albion, Nebraska, for the purpose of conducting a public hearing on LR489 and LR492. Senators present: Greg Adams, Chairperson; Bill Avery; Les Seiler; and Kate Sullivan. Senators absent: Gwen Howard, Vice Chairperson; Abbie Cornett; Brenda Council; and Ken Haar.

SENATOR ADAMS: It's 2:30 and we're going to begin these two public hearings. And I'm assuming in this room that our voices will carry well enough that everyone can hear. Welcome, everyone, and thank you to the Albion schools...Boone Central Schools, excuse me, for providing for us the place today and the logistics to help us through this public hearing. We're going to have two public hearings today, both of them on interim studies, which I'm sure that you realize, the first one on early childhood and the second one on school financing, TEEOSA specifically, and we will hear testimony. We've got a testifier's seat right here. I know that might seem a little close to us, but that's the way we're going to do this today. Let me, first of all, introduce the people that are here on the panel, the committee members and support staff. To my far right is Senator Seiler from Hastings; sitting next to me is Tammy Barry, legal counsel for the Education Committee; I'm Greg Adams representing the 24th District; next to me to the left, your...well, I say your, assuming everybody is from your district, aren't they Kate? (Laughter)

SENATOR SULLIVAN: I'll claim them.

SENATOR ADAMS: All right, all right. Well, some of them, you know. You can be selective afterwards, but...(Laughter)

SENATOR SULLIVAN: Okay.

SENATOR ADAMS: But Senator Kate Sullivan representing from Cedar Rapids;

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Senator Avery representing one of the Lincoln districts; and next to him is Kris Valentin, the research analyst for the committee. The procedure today will be relatively simple. We will begin with the first interim study on early childhood, LR489. And with either of the studies today, if you wish to testify, we ask that you first of all come up, and you need to fill out one of the registration forms so that we can keep record of who testified today. And if you will simply bring that registration form with you and place it in the box, and if you testify on both interim studies, we need to have you fill out two registration sheets for the record. When you testify, we're going to begin today with no time limit. I'm not sure that we have enough people here that we need to restrict the amount of testimony. We'll see what happens. And we'd ask that you very first off state your name and address for the record, and please spell your last name so that we get it clear for transcribe, and then we'll hear what testimony you have, and field questions if you would from members of the committee. With that, we will begin. The first interim study is on early childhood. I introduced the study and let me set some of the parameters on this study. This particular study looks only at publicly funded early childhood programs, recognizing that there is a whole nother world out there that this committee does not have jurisdiction over, the day care down the street. We do not have jurisdiction over that and had no intention of studying that. We are only looking at those programs that are publicly funded, particularly with TEEOSA dollars and grant dollars. And what we're looking for today quite simply is this: We have no particular agenda that says we know there's a problem here, let's hear about it. Quite to the contrary. The staff has spent time during the interim studying it and the question that we have for you today, tell us what works, what doesn't work about early childhood, specifically again the publicly funded early childhood programs. So with that, we'll initiate the interim study and the hearing on LR489, early childhood. The first testifier is welcome to come up. Welcome, Marlene. [LR489]

MARLENE UHING: Thank you. My name is Marlene Uhing, U-h-i-n-g, from Norfolk, Nebraska, superintendent for the Norfolk School District. I just really wanted to comment that I think this is a great initiative to take a look at. All of the research out

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there regarding early childhood, if there's one thing that impacts closing the achievement gap, it would be putting those dollars in the early childhood realm. And it's a factor that would affect all...if you're looking for something that would impact all of the students in Nebraska, you're going to impact all communities with early childhood initiative, all 3- and 4-year-olds. And so we are definitely seeing a need for children not coming...you know, kids not prepared where they should be when they enter our school system. And that achievement gap stays there as they go through school. We make a lot of efforts and put a lot of time and staff and resources into trying to close that achievement gap once they're in school. So I think it's a couple issues. One, you can close the actual achievement gap by beginning with early childhood kinds of programs for kids. And I think there's a cost-savings there as well because once those kids get into school, the cost of addressing the needs that they have, once they're in school, is much higher. So I think there's some cost-savings by addressing those needs and bringing them more to...more prepared for kindergarten at an earlier age. As a little side note, I would say the change in kindergarten entrance age has been very positive. I'm getting very good feedback from our classroom teachers about not having 4-year-olds in their classrooms that aren't...just classroom management issues and instructional issues being ready to be a kindergartner. I just wanted to throw that in as a very good thing and appreciate that. [LR489]

SENATOR ADAMS: Thank you, Marlene. That was one of the questions I was going to ask you about, the age, and your statement is pretty consistent with what we heard last week in Gering. How about response from parents? [LR489]

MARLENE UHING: In terms of... [LR489]

SENATOR ADAMS: That age change. We knew that there were going to be some rough edges. [LR489]

MARLENE UHING: Right. We've had very few issues with parents wanting to have a

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test or saying my kid is ready for kindergarten, I want him to go now. I think there have been some concerns about schools...maybe a pretty good childcare response when your kids were four, but they've managed to address it. We've had very little negative feedback, a little bit. [LR489]

SENATOR ADAMS: Are there questions from the committee? Yes, Senator Sullivan. [LR489]

SENATOR SULLIVAN: Thank you, Marlene, for being here. Can you give us just a broad-brush on how Norfolk Public School is handling their preschool education? [LR489]

MARLENE UHING: We have two preschool programs: one for special needs students, of course, and one for regular ed kids. And our students, I think this is pretty typical, have to qualify by need. We've got about 80 students in our program. They go half days, Monday through Thursday. So we have two sessions, Monday through Thursday. And then Friday is a day where there's an awful lot of paperwork involved in early childhood and our staff does planning, completes paperwork on that day, so. [LR489]

SENATOR SULLIVAN: Do you have a long waiting list? [LR489]

MARLENE UHING: We do not. In fact, I think 80 is our max and we might be a couple under this year, so we do not have a long waiting list. In fact, we've had to...we have a fairly large...Goldenrod Hills Head Start program and so they serve quite a few students there and, of course, that's...you know, we support that program. We don't take their students away so they go there first. [LR489]

SENATOR SULLIVAN: And in terms of how the child has progressed, I assume there is some sort of information that then...that travels with the child when they go into kindergarten in terms of how they did and how they're ready for kindergarten. [LR489]

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MARLENE UHING: There are. You know, I'm not going to be able to speak to this very well as my answer is yes, but if I had to be specific, I couldn't be, but I know there is. You know, they do assessments throughout the year in terms of I think more mastery of different skills rather than, you know, type of assessment you'd think of as a test, but skill mastery, be proficient in things. [LR489]

SENATOR SULLIVAN: Right. Okay, thank you. [LR489]

SENATOR ADAMS: Are there other questions? Yes, Senator Avery. [LR489]

SENATOR AVERY: Thank you, Senator Adams. Thank you for coming. I think all of us here understand and agree that early childhood education is important and it does work. What is it about that particular program that makes it effective because they can't all be effective at the same level? So if we know what works and what doesn't work, then perhaps we can be more successful in all of these programs. [LR489]

MARLENE UHING: Sure. You know I think for the 3- and 4-year-olds having some consistent structured things that they do every day, and so I know that we approach literacy issues; lots of reading; lots of opportunity to look at books, know what books are about; spend time with them; lots of opportunities of how to get along with other people, you know, teaming with other kids; social skills that go along with that; managing yourself, you know, behaviors; being able to take care of your own personal needs. I think that's a pretty common curriculum across most of the programs that we've looked at, but when you're looking at being prepared for school, really a focus on those early literacy skills. [LR489]

SENATOR AVERY: Is it fair to say that in Senator Adams' childhood days and mine, that parents provided these activities, played that role, and perhaps are not doing it today? [LR489]

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MARLENE UHING: You know, I think that you probably always had a range of levels of parent involvement. I think that when you get into communities where you have some high poverty levels, we have a lot of parents that have very good intentions, that love their kids and want to do the right thing for them, but they're also trying to survive. They're doing one and two jobs, and so I think the socioeconomic factors play a big part in that. And I might suggest, too, that, you know, the curriculum, K-12 curriculum...let's jump to the high school level. When I went to high school, probably about the same time as you guys, the things that students are doing right now in high school are way beyond what I did in high school. So literacy has become more important than it ever was, just even just using technology requires those skills, so. [LR489]

SENATOR AVERY: It seems to me that young kids even as young as three are not intimidated by new technology. [LR489]

MARLENE UHING: No, no. [LR489]

SENATOR AVERY: They can take a mouse and make it work. When I was first introduced to a mouse, it took me a week to get to where I could use it. But my 3-year-old kid, he sat down at the computer and immediately starting using it as if he'd always had. [LR489]

MARLENE UHING: His whole life, yeah. There definitely...there's a digital divide there between us and younger kids, that's true. And your comment about parents, I mean I think that's accurate. The parent role is really critical so the other piece of the early childhood I think is to find ways to support parents in what you're doing at school. And I think there's some pretty good programs around the state that try and do that. I know LPS works with parents and that certainly is a part of it, you know, teaching parents what to do and helping them have the tools to do that, the resources to do that. [LR489]

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SENATOR AVERY: So what could we do as a Legislature to improve on these programs and without having to spend any more money, of course? (Laughter) [LR489]

MARLENE UHING: I was going to use the "F" word, you know, the "funding" word, but I do think, though, if you truly want to close the achievement gap being able to provide a consistent program to 3- and 4-year-olds across Nebraska, that's going to make a big difference. And I think it should be school driven. The issue you're going to come into is, you know, there are lots of private providers. You have Head Start, you have school programs, and then you have a lot of private providers, how you get all those people around the table and on the same page because I do think that it should be a school-driven kind of program. [LR489]

SENATOR AVERY: Thank you. [LR489]

SENATOR ADAMS: Other questions? Yes, Senator Seiler. [LR489]

SENATOR SEILER: I'd like to be...explain how you're structured. If one teacher, how many students, how many volunteers, parateachers are in a class for one? [LR489]

MARLENE UHING: We have..I guess we have 40 students in there at a time in a session, two teachers, two early childhood teachers, and a para for each teacher, so there would be four adults. And I'm sure there are, you know, volunteer opportunities for parents and students so I couldn't tell you how regular that is. But our staffing is four folks for about 40 kids. [LR489]

SENATOR SEILER: Okay. One to ten. [LR489]

MARLENE UHING: Uh-huh. [LR489]

SENATOR SEILER: Okay. Thank you. [LR489]

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SENATOR ADAMS: Other questions? Marlene, thank you for your testimony. [LR489]

MARLENE UHING: Yes, thank you for the opportunity. I appreciate it. Thanks for being here. [LR489]

SENATOR ADAMS: Next testifier on early childhood. Anyone? It's going to be like Gothenburg--have to pry people out of their seats. [LR489]

HERB POKORNY: I'm Herb Pokorny, P-o-k-o-r-n-y, superintendent at Newman Grove Public Schools. And I guess I'm here to talk about the financial piece of preschool, early education. When we first started out, we were receiving a \$40,000 grant and that went on the spending side of our budget. So, in other words, that didn't go against our spending limits and now we're shrunk down to \$13,000, so we had to make up the \$27,000 on our general fund. Well, we're a nonequalized school district and that puts us up against the lid. And so our problem isn't getting the money, our problem is spending the money. And when we started out it was a great deal, of course, but now it's been shifted over to the school and that cuts into our spending authority, and that's our biggest issue because now we have to make some decisions. And we have the money to do this but we can't spend it. And right now we're at our biggest level we've had with students, our biggest enrollment. We have 12 in the morning and 12 in the afternoon and that's our biggest one. And we've been open, I think, six years now. So it's that shrinking amount, and it's our spending authority that...but I think I've talked with you about our spending authority being a nonequalized school district. It's a big deal to us kind of schools. And that's my biggest thing. If it's good for everybody, then give us a chance to spend the money on the program, is what I would ask you because we're not asking for state money. We're looking at spending our own money on that if we choose to do that. [LR489]

SENATOR ADAMS: Questions? Senator Avery. [LR489]

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SENATOR AVERY: Yes, thank you, Senator Adams. How long have you been a nonequalized school district? [LR489]

HERB POKORNY: I've been at Newman Grove now...I'm in my seventh year and I think we were nonequalized when I got there. Of course, when I was there we had about \$155,000 of...I believe that would be the aid from option. We're down to...I'm thinking we're around \$30,000 of total aid from the state now. We're way down there, which we're okay, I guess, with that, but we're within the spending limits now. That's how that's... [LR489]

SENATOR AVERY: Has the problem been mostly increases in property valuations? [LR489]

HERB POKORNY: Oh, yeah. Our general fund levy this year is 64 cents, so. [LR489]

SENATOR AVERY: So you've get plenty of room there to make up some territory. [LR489]

HERB POKORNY: I can't spend it. I can't spend it. [LR489]

SENATOR AVERY: Oh, you're up against the spending lid. [LR489]

HERB POKORNY: I'm up against the...that's what I'm saying. We're at the spending lid so we can't spend that. And we started at \$40,000 of the grant and now we get \$13,000 so we have to make that up. For some districts, \$27,000 isn't much but in our district that's a huge issue for spending, and we have to make some decisions on that now. So we have no budget authority...unused budget authority. We've taken it all. So I just want you to be aware that nonequalized school districts have a problem with spending. [LR489]

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SENATOR ADAMS: That's the issue--spending. Yeah. [LR489]

SENATOR AVERY: So this was the testimony you were going to give on the next subject? [LR489]

HERB POKORNY: Well, if that's where we're going, it may be. I may be back.  
(Laughter) [LR489]

SENATOR ADAMS: Anyone else have a question? Yes, Senator Seiler. [LR489]

SENATOR SEILER: How many children do you have in early childhood? [LR489]

HERB POKORNY: Twenty-four, and we have two on the waiting list, which I didn't think we'd ever have at little Newman Grove, but by golly, we do. [LR489]

SENATOR SEILER: Do you have one teacher or two teachers? [LR489]

HERB POKORNY: One teacher. We have a morning session and an afternoon session. We have a para and then we have a social worker which we get the help from the Head Start program. [LR489]

SENATOR ADAMS: What do you guys do? [LR489]

HERB POKORNY: We pay for the teacher and the para, that's part of our costs.  
[LR489]

SENATOR ADAMS: Okay. What do you guys do for assessment as far as kindergarten readiness? Do you know? [LR489]

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HERB POKORNY: Well, is it the GOLD assessment or...? [LR489]

SENATOR ADAMS: Yeah, yeah, that's what they use here. [LR489]

HERB POKORNY: I believe that's what it is. [LR489]

SENATOR ADAMS: Okay. Other questions? [LR489]

SENATOR AVERY: How many schools do you have in your district? [LR489]

HERB POKORNY: How many... [LR489]

SENATOR AVERY: How many schools? [LR489]

HERB POKORNY: We have an elementary building and we have a high school building, junior-senior high building. [LR489]

SENATOR AVERY: Do you have principals in all those buildings? [LR489]

HERB POKORNY: I'm elementary principal and superintendent and then we have a high school principal. [LR489]

SENATOR AVERY: Okay. [LR489]

SENATOR ADAMS: Any other questions? Thank you, sir. [LR489]

HERB POKORNY: Thank you very much. [LR489]

SENATOR ADAMS: Next testifier on early childhood. Anyone? On early childhood education, it's the interim study we're on now. Anyone? Going once. Well, if not, let the

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record show that we will conclude testimony on early childhood and we will proceed on to LR492, which is testimony on TEEOSA school financing. Let me establish some parameters on this too. Though we have an official interim study on school finance, I'm sure that everyone in here is aware that there isn't an interim goes by that we don't study school finance. It may not be in the form of an official interim study such as this. It may be done internally within the office, but we're always looking and modeling various functions of the formula and trying to respond to phone calls that we've gotten throughout the year from superintendents and business managers of all sizes of schools looking at the strengths and weaknesses of the formula and then trying to develop legislation for the coming year. This year it is more formalized in the form of LR492. Let me say at the outset that at this point the committee has had a couple of executive sessions where we have talked about a variety of things, one of them being school finance. But let me reassure you that at this point no formal decisions have been made by the committee. The bullet points that have been handed out and circulated on elements within the formula are things that we've talked about, and that is it--no decisions, no directions. As a matter of fact, I think the committee was hesitant to go anywhere until we had finished the series of public hearings to hear from you folks on the various elements. Now as we...as you look at the handout, there are a couple of different categories of things that we've looked at within the formula. One of them has to do with the LER and growth limitation rate, which we just heard from. And those elements there are the ones that drive the aggregate number for TEEOSA aid. The other portion, looking at the averaging adjustment and allowances primarily, those are things with the exception of the adjustments, generally allowances affect the distribution of monies within the formula but it doesn't affect the aggregate budget amount of the formula. And we look at those things all the time to find out what's working, what isn't working, whether it philosophically the allowance still does what it's supposed to do or if it ever did what it was supposed to do, and whether technically the computation of that allowance is problematic or not. So everything is fair game, as it really is every year. It's just that it's more formalized this time around. So with that, just like with the last hearing, we will now open it up to talk about school finance. First testifier. And probably we could

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start by saying early childhood, just more money, that's all it takes. Just more money and we can do about anything we want to do, but please, whoever would like to testify first. Welcome. [LR492]

CAROL KUSEK: My name is Carol Kusek. I live in Albion, Nebraska. Did you want my address as well? [LR492]

SENATOR ADAMS: Please. And could you spell your last name? [LR492]

CAROL KUSEK: Yes. The last name is K-u-s-e-k. My address is 206 South 8th Street, Albion, Nebraska. [LR492]

SENATOR ADAMS: Thank you, Carol. [LR492]

CAROL KUSEK: I brought notes to read from and I'm sorry if I act nervous, but I am. I can handle a classroom of tall boys, but this is a little bit...(Laughter) [LR492]

SENATOR ADAMS: The short guys bother you, huh? (Laughter) [LR492]

CAROL KUSEK: Well, you are sitting... [LR492]

SENATOR ADAMS: Go right ahead. [LR492]

CAROL KUSEK: Okay. I am a citizen of the United States, a lifelong resident of Nebraska, a graduate of Wayne State College and Creighton University with a master's degree in business administration. I'm currently a K-12 substitute teacher and have also been a high school business education teacher at public and private schools in Nebraska, as well as a past business instructor at Southeast Community College in Lincoln. My husband and I have three grown children who have all graduated from college and were educated at an elementary Catholic grade school and a public high

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school located in Albion, Nebraska. Today I come to testify on behalf of Catholic school education and particularly in favor of nongovernmental schools. Nebraska parents who educate their children in nongovernmental schools for religious or other reasons should be able to, one, exercise without economic penalty their parental rights and responsibilities to choose the education they deem best for their children. Two, they should be able to obtain economic recognition for the substantial cost-savings they provide the state and as governmental subdivisions by educating their children in nongovernmental schools. Three, they should be able to freely exercise their religious preferences in educating their children regardless of their financial situation. And, four, they should be able to exercise choice and promote competition, thereby strengthening the state's governmental and nongovernmental schools. Parents are currently not being treated fairly under the present educational finance system. All parents are subject to the state's mandate to educate their children but are provided free instruction only in governmental schools. This creates an economic burden on parents who choose to meet the state's mandate by using a nongovernmental school. The inequitable treatment of parents choosing nongovernmental schools fails to recognize the cost-savings they provide the state of Nebraska and fails to promote their freedom in fulfilling their responsibility to provide the instruction they deem best for their children. In instances where the parents are financially unable to assume the added financial burden, their choice is effectively weighed. The current system needs to be modified in order to provide a fair and equitable system for the education of Nebraska children.

[LR492]

SENATOR ADAMS: Thank you. Are there questions for this testifier? Senator Avery.

[LR492]

SENATOR AVERY: Currently, nongovernment schools, as you call them, are exempted from the statewide testing law. If we were to change the system and provide...I think you're talking about vouchers. [LR492]

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CAROL KUSEK: Yes. That would be one way to handle it, yes. [LR492]

SENATOR AVERY: What would be your opinion about requiring those schools to test using the statewide testing instruments we now approve? [LR492]

CAROL KUSEK: Well, my limited knowledge about many of the schools, I guess I can't speak for, but for many of the schools I also know that they are currently doing some type of testing. So I would imagine that for the most part that is probably already going on, maybe a different type of testing but testing is going on. [LR492]

SENATOR AVERY: I think you're probably right that a lot of schools do. We do have some nongovernmental, to use your term again, nongovernmental schools, home schooling for example where they are not tested. [LR492]

CAROL KUSEK: Yes, and I don't have a lot of knowledge about that type of program so much. [LR492]

SENATOR AVERY: Would you extend...well, it seems to me that when you start making exceptions or when you start including nonpublic schools into the rules and regulations of public schools and providing them with assistance, then it seems to me that that assistance carries some obligation for those nonpublic schools to participate fully in the rules and regulations that we have for public schools. [LR492]

CAROL KUSEK: I would presume that it would be open for negotiation depending on those various types of schooling opportunities. And it seems that in most cases, if one accepts money, there probably are going to be rules. [LR492]

SENATOR AVERY: Well, and curricular rules, for example, sex education, which is required in public schools. [LR492]

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CAROL KUSEK: Perhaps. [LR492]

SENATOR AVERY: So I just want you to know that if you're asking us to go to the extent of providing assistance to nonpublic schools, then with that comes some responsibility for those schools to abide by the rules that we provide for other schools. [LR492]

CAROL KUSEK: I would suspect that they would also have the option to not take it if those rules were not acceptable. [LR492]

SENATOR ADAMS: Are there other questions for this testifier? Anyone? Thank you, ma'am. Wasn't so bad, was it? (Laughter) [LR492]

CAROL KUSEK: I hope not. Thank you. [LR492]

SENATOR ADAMS: Next testifier. Oh, I know better than this. Next testifier on school finance. Welcome. [LR492]

TROY LOEFFELHOLZ: Good afternoon. Thank you for the opportunity to testify. My name is Troy Loeffelholz. I'm the superintendent of Columbus Public Schools. Loeffelholz is spelled L-o-e-f-f-e-l-h-o-l-z. I'd like to take this opportunity to talk about equalization as being a paramount principle to Tax Equity and Educational Opportunities Support Act. Equalization is the ability for state funding to sufficiently support statewide public education expenditures that cannot be met by the local taxpayers and local resources. Reduced reliance on property tax is the legislative intent that is balanced with the assurance that a foundation support level is provided relative to local resource capacity as realized the equity in property tax rates. Equalization works. The formula may be complex, but it works well when allowed to work. The prevailing problem has been the general economic conditions and tax policy, not the formula, since 2009. Local reality in Columbus Public Schools, we have been an

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equalized district when it was at 95 cents and when it was at \$1. When it went to \$1.395, we became a modified equalized district. We chose not to, as a district, to go to the \$1.395. We stayed at \$1, hoping that economic conditions would become better or state receipts would increase. By not going to that local effort rate, we cost our district funds both at the local level and the state level. And so now we are backtracking and we have raised our levy now to \$1.05 to make up for some of those lost funds. So we are now truly an equalized school district. Over the last four years, our state aid receipts have been reduced by over 25 percent, with only one of those years not being at the local effort rate. Four years ago we received approximately \$14 million and this next year we're just about \$9.6 million in state funds in an equalized district. In the last year, we had reduced on paper...we were reduced \$2.6 million and with local funds, local tax rates, the most we can raise is \$750,000...\$754,000 to make up for that \$2.6 million. What does that mean for Columbus Public Schools? We reduced ten teaching staff through retirement or through resignations. We reduced over a dozen classified staff to reduce some of our spending. We had reduced spending up to \$4.1 million and we spent \$1 million out of cash reserve to make our budget work for this upcoming year. So we did have a healthy cash reserve and were able to use the rainy-day fund. I just don't know how much longer we can access the rainy-day fund. As soon as you spend that on personnel, it's a continued cost. And that continued cost continues to rise because you have to meet the negotiated agreements with the CIR and those other bills that are related to those things. So it's time to affirm TEEOSA principles of equalization. There should be a clear demonstration that the equalization formula is not working apart from the economic conditions. We feel that if it cannot be demonstrated, then let the equalization formula work and adequately fund the formula for all schools. [LR492]

SENATOR ADAMS: Thank you, Troy. Are there questions for Troy? Well, Troy, let me ask you a couple. [LR492]

TROY LOEFFELHOLZ: Sure. [LR492]

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SENATOR ADAMS: So prior to this year, what was your levy? You're at \$1.05 now, did you say? [LR492]

TROY LOEFFELHOLZ: We're at \$1.05 now as of last Monday. [LR492]

SENATOR ADAMS: All right. And what was it in the prior year? [LR492]

TROY LOEFFELHOLZ: It was \$1. [LR492]

SENATOR ADAMS: Okay, so you raised a nickel. [LR492]

TROY LOEFFELHOLZ: Yeah, we chose not to go to the \$1.395 a year ago, the board did. [LR492]

SENATOR ADAMS: Gotcha. And how much did your value increase? [LR492]

TROY LOEFFELHOLZ: Valuation went up \$40 million. [LR492]

SENATOR ADAMS: Okay, but in terms of percent, what's that translate? [LR492]

TROY LOEFFELHOLZ: Uh, 2.8. I got my finance guy over there too. [LR492]

SENATOR ADAMS: Two point eight, okay, all right. And what's happening with your student numbers? [LR492]

TROY LOEFFELHOLZ: Student numbers over the last seven years, we've increased by 400 students. [LR492]

SENATOR ADAMS: All right. And how big...may I ask what your cash reserve, before you had to take \$1 million out? [LR492]

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TROY LOEFFELHOLZ: Our cash reserve is at the maximum 25 percent. It was right at \$7.5 million prior to this year. [LR492]

SENATOR ADAMS: All right. And so you pulled \$1 million out you said, in order to partially fund your loss? [LR492]

TROY LOEFFELHOLZ: That is correct. [LR492]

SENATOR ADAMS: Okay. Are you seeing growth in student numbers, did you say? You were up 400. [LR492]

TROY LOEFFELHOLZ: Four hundred students in the last seven years. [LR492]

SENATOR ADAMS: Okay. Other questions? Yes, Senator. [LR492]

SENATOR SULLIVAN: So if I understand you correctly, your...the formula is fine. It's just that we didn't fund it to the level that's capacity. [LR492]

TROY LOEFFELHOLZ: I would agree with that. When the ARRA funds were brought in to supplant the state obligation, I would say Columbus Public Schools had more than enough money at that time as part of that. But when you take away the ARRA funds and not replace those ARRA funds with the state obligation of the equalization funds, then it leaves that gap that we're not able to recover from. [LR492]

SENATOR SULLIVAN: How has that impacted your long-term planning for your district? [LR492]

TROY LOEFFELHOLZ: Our budget...two years ago it adopted a 3-year budget plan and within the 3-year budget plan, we have reduced over \$2 million in other spending, not to

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mention personnel costs. If this continues on another year and a year after, the board has to make a decision either spend out of the cash reserve or eliminate more positions. [LR492]

SENATOR SULLIVAN: How do you think that has impacted the type and quality of education that you're providing your students? [LR492]

TROY LOEFFELHOLZ: Outside of class sizes, I think we have a strong educational program within Columbus Public Schools. We'll utilize each other's skills through collaboration and working together, working smarter, and not being individuals in trying to educate our children. I'd say at this point in time, outside of class sizes and not having enough people to cover...enough adults for anything from early childhood in our preschool programs to paraprofessionals assisting teachers with larger class sizes, time will tell. I mean, the date is not there yet because this is kind of the first year we're going through it as far as a major reduction. [LR492]

SENATOR SULLIVAN: You may have mentioned this but it slipped by me, perhaps. What's happening to property values in your area? [LR492]

TROY LOEFFELHOLZ: Property value this last year went up 2.85 percent. In fact, over the past four years, Platte County has probably valuationwise as a county been very good. In fact, when we were losing state aid, one of the things that we talked to when we called NDE was why such a big loss to state aid? And the comment we got back was, well, valuation was too good, things are too good in Platte County. Well, but the percentage that you lose and what we have to raise the levy at on the 5 cents can't make up for the loss. So if we lose \$2.6 million, the most we can gain back from the local resources is \$754,000 of that by going to the nickel. So the gap is, the state funds is wider than what we can make up with local resources. Now we're at the maximum so we cannot go any higher unless valuation increases substantially. [LR492]

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SENATOR ADAMS: Senator. [LR492]

SENATOR SEILER: When you use the term increase in class numbers, are you talking 20 students in a class, 25, 30, 35? [LR492]

TROY LOEFFELHOLZ: When we set our class sizes by grade level, we want all of our early child...or kindergarten through second grade to be at 20 to 1. We think that's a manageable number. Most of our class size at that level now are 24 to 25. When we talk intermediate grades, middle school and high school, you like to say 25, but please understand, 25 to 1, means 20 to 1, to 30 to 1. I mean, you have to have that five student give or take both ways. So we have many classes in the upper elementaries at 27, 28, in third, fourth and fifth grade, and then middle school and high school we have a lot of classrooms with 30. [LR492]

SENATOR ADAMS: Senator, go ahead. [LR492]

SENATOR AVERY: Thank you. When ARRA funds were made available, we all knew that they were temporary. [LR492]

TROY LOEFFELHOLZ: Yep. [LR492]

SENATOR AVERY: And as I recall, we informed all the school districts to prepare for the cliff effect. When that money runs out, you know, we're going to fall off a cliff unless we're doing something now to prepare for that. Did your school district do anything to prepare for that cliff effect and if so, what were they? [LR492]

TROY LOEFFELHOLZ: Absolutely. We were able...we were fortunate enough at the time to make sure that our cash reserves were at the maximum of the 25 percent, at the same time reducing some of our costs, both in personnel, equipment. When you have a budget that's 85 percent personnel and 15 percent all other things, that 15 percent is

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only equal to \$5.1 million of our total budget, so you're squeezing those things pretty tight. So I think by building our cash reserve and reducing costs along the way, we have prepared ourselves for that cliff effect. The problem is with 85 percent of your resources being attributed to personnel, you spend \$1 million this year, well, you've got to spend \$1.3 million next year for that same million in personnel because the cost of personnel go up. With obviously no negotiated agreements, etcetera, insurance benefits, all those things continue to rise, so whatever you spend out of the cash reserve, you spend that again next year plus some. [LR492]

SENATOR ADAMS: What kind of settlement agreement did you have this year with your personnel? [LR492]

TROY LOEFFELHOLZ: 2.85. [LR492]

SENATOR AVERY: And you used \$1 million of your cash reserve? [LR492]

TROY LOEFFELHOLZ: This year we did, yes. [LR492]

SENATOR AVERY: And that's all you've used from...? [LR492]

TROY LOEFFELHOLZ: So far. We've used the \$1 million and reduced our...reduced some of our other costs by almost \$3 million. [LR492]

SENATOR AVERY: So you're in pretty good shape actually it sounds like. [LR492]

TROY LOEFFELHOLZ: We're in good shape now. I can't say we're in great shape for the years to come. [LR492]

SENATOR AVERY: If you don't mind, let me go back to our other hearing because you're a superintendent, and you do have early childhood programs. [LR492]

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TROY LOEFFELHOLZ: We do. [LR492]

SENATOR AVERY: What's the student-teacher ratio in those classes? [LR492]

TROY LOEFFELHOLZ: We have 3 preschool classrooms and we have 90 students, so about 15 to 1. And we have a waiting list of over 60. [LR492]

SENATOR AVERY: Oh, you do? [LR492]

TROY LOEFFELHOLZ: We do. [LR492]

SENATOR AVERY: Fifteen to one is pretty high. [LR492]

TROY LOEFFELHOLZ: It is pretty high and we have one teacher and two paraprofessionals in the room with the children. So we have 3 adults for the 15 children, 1 for every 5 students. [LR492]

SENATOR AVERY: And what's preventing you from lowering that ratio and doing something about that waiting list? [LR492]

TROY LOEFFELHOLZ: Well, there's nothing more...I would like nothing more than to have a preschool classroom in every one of my elementary schools. I'd like to have one...we have five elementary schools. And if I could get an early childhood program in each one of those buildings, I could serve 180 students at that time. I would...you know, and I probably should have come up and testified but, you know, your 3- and 4-year-old programs are the kindergarten programs when I went to school. You heard Marlene talk about the expectations of our children. When they get into kindergarten and first grade, just a few years back a lot of school districts went to all-day kindergarten. Well, if you talked to first grade teachers after that first year of all-day kindergarten, they were just

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amazed by the literacy skills that some of these kids possess with that additional time and targeted instruction, both reading and mathematics. I think you'd see the same result if you had the ability to have a 4-year-old program, even if it's just a half-day program like the old kindergarten program. It would allow districts to better control and manage the learning of all those students as they come into the kindergarten to be kindergarten ready. Now I think the...your...the new age limit has helped with that. I think we're still a year away from that. I think we tested a total of 24 children and 15 passed the test to move forward so, but there's 9 children who are not ready and those 9 children need to be in a preschool program to be ready for kindergarten. [LR492]

SENATOR AVERY: So how young is too young for early childhood education programs? It varies by students probably. [LR492]

TROY LOEFFELHOLZ: From the standing...from public schools? [LR492]

SENATOR AVERY: Yeah. [LR492]

TROY LOEFFELHOLZ: I'd say three years old; 3- and 4-year-old programs, because the K-3, most of those are your identified students and those are homebound where the teacher is going to the home. [LR492]

SENATOR AVERY: Do you have that in your districts? [LR492]

TROY LOEFFELHOLZ: Yes, we do. [LR492]

SENATOR AVERY: Thank you. [LR492]

TROY LOEFFELHOLZ: You're welcome. [LR492]

SENATOR ADAMS: Senator. [LR492]

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SENATOR SULLIVAN: Thank you. Thank you for your comments. With respect to early childhood, that's a pretty deep waiting list in your community. [LR492]

TROY LOEFFELHOLZ: It is. [LR492]

SENATOR SULLIVAN: Do you have a fair number of private and nonprofit? [LR492]

TROY LOEFFELHOLZ: We do and they're all full. [LR492]

SENATOR SULLIVAN: Really. [LR492]

TROY LOEFFELHOLZ: They're all full. When we moved to Columbus three years ago, I had a 4-year-old and when you find out you get a job in April, all the preschool programs, all the private ones are full, and all the public ones are full at that time, so you're preschool shopping. [LR492]

SENATOR ADAMS: Troy, if...I'm going to ask you a couple of questions and they relate to Columbus Lakeview so if you don't want to answer, you don't have to. (Laughter) Your boundary to the south goes, what, to the Platte River or beyond the Platte River? [LR492]

TROY LOEFFELHOLZ: It goes beyond the Platte River. [LR492]

SENATOR ADAMS: Yeah, and then to the north that boundary line runs right to the north edge of town, does it not, at the city limits? [LR492]

TROY LOEFFELHOLZ: City limits, yep, it does. That's city limits. [LR492]

SENATOR ADAMS: Do you by chance know what Lakeview's valuation grew? Not that

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you wouldn't. [LR492]

TROY LOEFFELHOLZ: Oh, it's...no, I couldn't tell you valuation. I know they lowered their levy by 13 cents because there was some litigation with ADM on the east side of town because of not getting their appeal in at that point in time, so. [LR492]

SENATOR ADAMS: Do you guys still have that issue going on about an industrial park? I forget now what the deal is. [LR492]

TROY LOEFFELHOLZ: We do, and we'll testify on that one later on, too, so. (Laughter) [LR492]

SENATOR ADAMS: Gotcha. All right. All right. Are there...? Yes, Senator Avery. [LR492]

SENATOR AVERY: You have a fairly sizable immigrant population in Columbus, in Platte County? [LR492]

TROY LOEFFELHOLZ: We do. [LR492]

SENATOR AVERY: These early childhood programs probably benefit the children in those communities at a disproportionately important level than perhaps others. Do you have any system of rating students according to various criteria such as income, ethnicity, to determine who gets these limited slots? [LR492]

TROY LOEFFELHOLZ: No, we...when all of our preschoolers come in, all of our eligible preschoolers or 4-year-old, we set up times to assess the preschoolers. And under the old system it was first come, first serve, line up at the door, and if you're the first 60, you're the first 60. Now when we assess the children, we look at the highest needs and then we try to get peer models in the classroom with those children. [LR492]

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SENATOR AVERY: Highest needs meaning these kids are more likely to need it more than this kid over here and given... [LR492]

TROY LOEFFELHOLZ: Based on an assessment, yes. [LR492]

SENATOR AVERY: Yeah. But there is a basic score they have to achieve, I presume, in order to, quote, pass the assessment? [LR492]

TROY LOEFFELHOLZ: There is. Yes. [LR492]

SENATOR ADAMS: Other questions? Okay, Troy, your testimony has been helpful. Thank you. [LR492]

TROY LOEFFELHOLZ: Thank you very much. [LR492]

SENATOR ADAMS: You bet. Next testifier. Welcome. [LR492]

KENDALL STEFFENSEN: My name is Kendall Steffensen. I'm the superintendent at Pierce Public Schools. My name is spelled S-t-e-f-f-e-n-s-e-n. And my testimony is probably more of a story than it is anything else. In the 2011-2012 school year, Pierce Public Schools state aid went from approximately \$2 million to approximately \$1 million, so a 50 percent reduction in state aid. I believe there was an assumption that our valuation increase would take care of the reduction. Now that just did not happen. Our valuation increase was approximately 4 percent. That 4 percent generated about 240,000 extra dollars, leaving our district about \$760,000 short. Included in that \$240,000 increase, though, was shifting every penny that we have in levy authority to the general fund. So we are putting zero dollars into our special building fund. We shifted zero dollars from the general fund over to the depreciation fund. So every penny went to fund our general fund. Still with that, we had to offer an early separation

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incentive program. We had eight teachers accept that program, two of which were replaced. So our district has six fewer teachers this year than they did last year. Where those teachers came from was our K-3 classrooms used to have three sections per grade and now they have two. Our high school had a technology coordinator as well as the elementary. There were two, now we're down to one. And we had a state assessment coordinator and a data coordinator that is now gone as well. Those responsibilities have been shifted to our principals. All in all, we've talked about our other...other superintendents have talked about class size. The fear for me as our two sections of third grade now are both at 26. As you well know, that's the first grade that will take the state assessments. When our teachers are relaying information, that's just fewer chances for them to answer questions and receive help. So now instead of maybe once out of every 6 questions they get to answer, it might be 1 up to every 12. That's a large concern for me. It's been asked before, you know, what happened? Why 50 percent? This is only my second year at Pierce. Last year was my first when this occurred, so in speaking with my predecessor and also the finance department of the Department of Education, there was no one thing. It was a combination of things in the formula that all worked together, and in our case, worked against us. Our student numbers were relatively flat. We're a district of about 700 students. It did not increase, it did not decrease, relatively flat. Approximately 20 students went down one year, now we're up about 5 students this year, so relatively flat in my terms. In my opinion, the formula definitely worked against our school. It may have helped out others. It definitely did not ours. In the terms of cash reserve, my previous school board for...not my school board, the school board at Pierce for previous years taxed exactly what they needed. So if the budget was calculated and it took 97 cents to fulfill the needs of the district, that's what was taxed. So there was very, very little cash reserve. What that has caused last year, and I'm hopefully not going to do this this year, is in our lean months between the tax collection months we had to borrow money to make our payroll. So we are not in the position of some other school districts as far as leaning back on cash reserve. All in all, I guess that's more of a story than it is anything else. I would be, you know, more than happy to answer any questions you may have. [LR492]

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SENATOR ADAMS: All right, thank you, Kendall. Are there questions for this testifier?  
Senator Avery. [LR492]

SENATOR AVERY: Yes, thank you, Senator Adams. You seem to be suggesting that when the valuation increased that it did not produce...or it produced a greater decrease in the amount of state aid than you anticipated, but you admitted there were other factors in there. If your student body is not growing, then that reduces your need because student growth is an important part of calculated need. [LR492]

KENDALL STEFFENSEN: Correct. [LR492]

SENATOR AVERY: What is it that you would like to see changed in the formula because there are other people here who have the same situation where they're seeing increases in...particularly in ag valuations and having a disproportionate effect on...at least the presumption is a disproportionate effect on state aid. What would you like to see changed to avoid that? [LR492]

KENDALL STEFFENSEN: That's the general way the formula is set up. You know, needs minus resources is state aid. So if your resources increase, your state aid will go down. I understand that. But in our particular case, our needs did not go down, but our state aid went down significantly. A factor such as the local effort rate played into that. The array of schools that our district was compared to affected that. So I understand what you're saying. What I would suggest, if you're looking for my opinion for a solution, in prior years, ten years ago maybe, the state aid formula was a forward-run system. We looked at needs, we looked at resources, it kicked out a number, and that's what the state provided. In my opinion, state aid now is a backwards-run formula. We start at the end and work backwards to calculate what needs may be by adjusting the numbers. So if you're looking for an answer from me, it would be, make it a forward-run system once again. [LR492]

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SENATOR AVERY: But now every time we start thinking along those lines, we run up against one of the core principles of what we're trying to do with that formula, and that's sustainability. And the numbers that...with that forward-looking or forward-running approach that you were talking about, the numbers that we were looking at a couple of years ago would have put us at well over \$1 billion in total aid to K-12 if we had not done some of that backtracking. I mean, we have tweaked the formula in every year I've been in the Legislature and I just finished my sixth session. [LR492]

KENDALL STEFFENSEN: Sure. Is over \$1 billion a bad thing? [LR492]

SENATOR AVERY: If it is 49 percent of the budget, it can be a terribly difficult thing to deal with. [LR492]

KENDALL STEFFENSEN: Sure. I very much understand the percent of the state's budget that state aid predicts. What I'm suggesting, though, is there's not necessarily a magic number that makes it good or bad. [LR492]

SENATOR AVERY: But we have...we deal with reality and that reality is that we need a formula that is fair. That's the number one principle. But it also has to be sustainable. It has to be something that we know we can afford to do year in and year out. [LR492]

KENDALL STEFFENSEN: Understandable. [LR492]

SENATOR AVERY: And when you're looking at receipts that are declining statewide and a formula that's predicting a 1.15 percent...I believe it was 15 percent increase, that's not sustainable. But teachers...I understand, I spent most of my life in the classroom, not at K-12 but teachers and people in the educational community would say, well, you've got to fund formula. If the formula is going to break the bank, we can't do it. And that's where we were. [LR492]

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KENDALL STEFFENSEN: And very understandably so. And I understand the position that you were put in. At the same time, though, it takes a certain amount of dollars to run a school district whether you're large or small, then I would suggest some method of allowing local school districts to recoup those dollars. For instance, in Pierce's particular case it takes about \$8 million to run our district the way our community would like to see it. Right now we're at \$7.3 million. So I would suggest that there be some way to allow Pierce Public locally to regain that \$.7 million or \$700,000. [LR492]

SENATOR AVERY: What is your cash reserve? [LR492]

KENDALL STEFFENSEN: It is literally zero. In the lean months we borrow money to make our payroll. [LR492]

SENATOR AVERY: Wouldn't it make sense to start working on that cash reserve? [LR492]

KENDALL STEFFENSEN: Absolutely would make sense. And we put some things in place this year to hopefully, not necessarily build a cash reserve but keep us from borrowing. But at the same time that makes us make hard choices of what programs or what people we're going to fund. [LR492]

SENATOR AVERY: I don't mean to be hard on you. I know this is tough. [LR492]

KENDALL STEFFENSEN: No, Senator Avery, you're perfectly fine. [LR492]

SENATOR AVERY: But we grapple with these issues every year and this is the most pro-education committee you're ever going to encounter. [LR492]

KENDALL STEFFENSEN: Oh, sure. [LR492]

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SENATOR AVERY: And the people on this committee support education and we are pro education to our core. [LR492]

KENDALL STEFFENSEN: By no means am I doubting your resolve. I'm just giving you my story. [LR492]

SENATOR AVERY: I know, I know. And it varies by district too. But the fact is that we have to look at 249 districts. [LR492]

KENDALL STEFFENSEN: Sure. [LR492]

SENATOR AVERY: And we've got to treat them all fairly. [LR492]

SENATOR ADAMS: Senator. [LR492]

SENATOR SULLIVAN: Thank you, Senator, and thank you, Kendall, for your story. When Pierce was grappling with this loss, you as a school district and with your patrons went through a process asking them what they wanted to see changed. Can you give us some highlight to that? [LR492]

KENDALL STEFFENSEN: Correct. Bryan Hill (phonetic), sitting over here somewhere, was our facilitator in our planning or our essential finance planning. It was a series of approximately five or six meetings, give or take between 40 and 60 community members attended each meeting. Bryan (phonetic) led them through a series of activities designed for each meeting, and with the hopeful intent at the end of saying, we can't afford everything, what would you like to reduce? In our particular case, our community did not want to reduce anything. They liked what we had. The one suggestion that they gave, is what we did, is to reduce staff through retirements. So we offered an incentive program to do so. [LR492]

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SENATOR ADAMS: Senator. [LR492]

SENATOR SEILER: You may have answered and I missed it, what is your mill levy, just your... [LR492]

KENDALL STEFFENSEN: It's at \$1.05. [LR492]

SENATOR SEILER: A dollar five, but what about your building? Do you have a building fund too? [LR492]

KENDALL STEFFENSEN: Correct. I was going to say that \$1.05 is important to understand that we have zero dollars that go into our special building fund. All \$1.05 go to fund the general fund. The depreciation fund is funded by transfers from the general fund. We did not make any transfers into our depreciation fund either. Every single penny that we can collect is going to run the school through the general fund. [LR492]

SENATOR SEILER: So you don't have any bond issues for your buildings or anything like that? [LR492]

KENDALL STEFFENSEN: Yes, we do. Our high school... [LR492]

SENATOR SEILER: Are you paying that out of the \$1.05? [LR492]

KENDALL STEFFENSEN: No, no, that's separate from the... [LR492]

SENATOR SEILER: That's separate. [LR492]

KENDALL STEFFENSEN: Yes, it's in the bond fund. [LR492]

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SENATOR ADAMS: Other questions? Kendall, I think that your story is well taken and really kind of heard the same thing in some ways from Columbus. When we anticipated that cliff, I think we also knew that there was probably no way that in every case were values and cash reserves and whatever it might be going to catch up with the losses. [LR492]

KENDALL STEFFENSEN: Absolutely. [LR492]

SENATOR ADAMS: As Senator Avery pointed out to you, that was the bind that we're in, but you've done a good job of describing. I think also last week in Gothenburg, as well as in Gering, we heard a similar story about having to give up on building funds in order to go to the general fund in order to fund operations and forestall maintenance and some of those kind of things. Though unfortunate, we also know that that comes with the territory of recession and so forth. Answer me this, aside from recession, tell me a little bit more about your school district. How close are you to Norfolk and surrounding schools? [LR492]

KENDALL STEFFENSEN: Norfolk is obviously the largest school district we're by, approximately 15 miles. [LR492]

SENATOR ADAMS: Okay. And then, where else...other school districts? [LR492]

KENDALL STEFFENSEN: Oh, Randolph, Osmond, Plainview are to the north of us. [LR492]

SENATOR ADAMS: And approximately how far would they be? [LR492]

KENDALL STEFFENSEN: A little farther, 25 to 35 miles. [LR492]

SENATOR ADAMS: Are you losing some students to option into Norfolk or does it go

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into reverse? [LR492]

KENDALL STEFFENSEN: Actually not, it goes in reverse. The village of Hadar is also in the Pierce School District and our boundary goes not much farther. Our boundary goes not much farther south than Hadar so there are some people that live along the four miles between Hadar and Norfolk that actually option into our district. We provide busing if they take their kids to Hadar. We go to the town of Hadar which is in our district and anyone that wants to meet us there we provide transportation. [LR492]

SENATOR ADAMS: Okay. Thank you. Are there other questions for Kendall? Seeing none, thank you for your story. [LR492]

KENDALL STEFFENSEN: You're welcome. [LR492]

SENATOR ADAMS: Next testifier. Hi, Marlene. [LR492]

MARLENE UHING: Hello again. Marlene Uhing from the Norfolk Public School District, U-h-i-n-g. I would say you have the unenviable task of trying to fund education for all kids in a pretty diverse state. I know it's a really challenging job and even though we speak about our own districts, I do think it is important that we try to find a way to provide those opportunities for all kids in our state and I know that's your goal. So it's hard to speak about everybody and sometimes can only tell what's happening in your district. Dr. Loeffelholz talked about fully funding the formula and the importance of that. I won't reiterate things that he said, but for us...for us the not funding of the formula it's more the resulting changes that have been done to the formula than that have really impacted us negatively. You know, our issue is that it's those resulting changes, the averaging adjustment, for instance, that loss, has really hurt us. Our situation is we don't have the ability to increase revenue in our district while costs are going up. The formula should work for us. Our enrollment is pretty steady and increasing a little bit. Our resources valuation, last three years a negative half a percent three years ago, went up

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just almost 1.5 percent last year and about 2 percent this year. So that's...and we have probably \$1 million increase in cost each year. So we don't have a way to increase our revenue because we're at the \$1.05. Our valuation is pretty flat. We have declining state aid. We, too, have lost about 25 percent of our resources that way along with...doesn't matter, but additional federal funds and things like that that also supported our programs. So, you know, we've reduced our costs in a lot of ways. We've frozen budgets, we've frozen hiring. We haven't purchased curriculum materials, done necessary building and maintenance things that we should have done. We've closed five buildings in our district: three Class I schools, and two internal elementary schools. We've reduced our staff depending...across the board, classified, administrative, certified, about 15 percent. A little bit different for each group, but 17 for administrators, I think 15 for teachers, and 16 for classified staff. And the hard thing for us is to say, you know, we've become more efficient and we've...you know, our community and people haven't been happy about it. But, you know, schools do what they do to make it work and people have supported that. So we've become more efficient. And if I could say to everyone, well, we went through these years where we, you know, did all these things with closing buildings or reducing staff and now the formula should work for us, but it isn't. And that's a very frustrating part for us is that we don't have a way then to increase our revenue with still some continuing costs even though I think we're pretty frugal and I think most of the schools in Nebraska are. So, you know...and it is even though we all make it work, it isn't negatively as the other schools have mentioned, negatively impacting what we can do for our students, you know, larger class sizes again at the elementary level and high school level. Some changes in programs, and in some cases you're just trying to find a different way to do things that still works. And we may not be able to do it the same way we always have, but we're going to try to find a way to make that work. But we're at the same position...we'll probably use somewhere between \$1.5 million and \$2 million of our cash reserve this year. We set aside those JOBS dollars, you know, as we were advised to do and have some cash reserve to kind of get through the next couple of years. But I agree, it's...you're having sustainability issues with your formula and we're having sustainability issues with not being able to do what we want to

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do and increase cost of our staff and all that and still be able to provide, you know, a good education for our kids, which is all of our goals here. So I'd answer any questions then. [LR492]

SENATOR ADAMS: And I'm sure you're at \$1.05, aren't you? [LR492]

MARLENE UHING: We are at \$1.05. Yes, we have no way to...I mean you could do a...we've got some money outside for bond repayment as well outside of that \$1.05. So, you know, it would be a...I'd probably have to put my resume together and look for a new job if I did a levy override. It may or may not pass but there would be different leadership, I'm pretty sure shortly after that. But, you know, I think like most communities, Norfolk is pretty supportive educationally. Everybody thinks their schools are pretty good and they've passed bond issues. And like I said, we've done what we have to do to make it work, but I'm concerned about a formula that is about equity and does work for Nebraska. And so, if we're not going to fully fund the formula, then I think there does have to be a formula that can be funded that still meets those equalization needs in the formula. I mean, I don't...you guys have...I can suggest, here's what it should look like but I appreciate your looking at that, you know, maybe temporary aid adjustment like we've had in the past, or a way for schools to access funds. So I guess I'd answer any questions. I appreciate the opportunity to share that with you. [LR492]

SENATOR ADAMS: Thank you, Marlene. Are there questions? Senator Avery. [LR492]

SENATOR AVERY: We're looking at a number of changes in the formula. And I'd like your reaction to some of it. You mentioned the averaging adjustment which, in my mind, is probably single most important destabilizing part of the formula because a little tweak here and a little tweak there, huge consequences. [LR492]

MARLENE UHING: You have a wide gap of...um-hum. [LR492]

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SENATOR AVERY: Yeah. What about the teacher educational allowance and the instructional time allowance? If we were to eliminate those two, what would be your attitude toward that? [LR492]

MARLENE UHING: I would probably be supportive of that because I kind of questioned the validity of a teacher education factor. There's not a lot of research about...in fact, there's a lot of research that there is not a correlation between teacher education and student achievement and that's been a moving target. I mean, it changes. When we were making staff reductions, we lost a lot of teachers with master's degrees, although we always had a pretty high percentage. So you're hiring brand new teachers that aren't at that point yet. I think people are getting those advanced hours from all over the place. They're not necessarily...some are better than others. So teachers are typically doing that to increase their salary, which I totally get and I don't have a problem with that. But that's really the purpose of that with the kinds of teacher schedules that we have. So I'm not sure that's a valid one. I would be...it's really hard to answer that because anytime, you know, I don't know how the formula...the formula has been changed so much that, you know, different things have impacted us differently so to be able to say yes and no on some things is really hard. So I'm qualifying that by giving you my opinion on them but the instructional time line also am not very supportive of that. Again, I think research would say that there's very little correlation between instructional time and student achievement. And what does that instructional time look like? I mean, you can play games with instructional time if you, you know...not that anyone would do that but it's possible to try to make those things work for you. If it equates to student achievement, that's one thing but I don't think it does. And I would rather see things in the formula that say, this is what an education costs for a student in Nebraska. If we're going to provide a child with this and this and this, these are some basic funding pieces. I think poverty is a really important factor in the formula. You know, I really do. I think that's a piece that's critical. The two that you asked me about I would say, probably not so much. But again, you know as well as I do when you start messing with the different pieces of it, it's all over the place. So starting, but... [LR492]

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SENATOR AVERY: There's so many formulas within the formula... [LR492]

MARLENE UHING: Yes, yes. [LR492]

SENATOR AVERY: ...that when you change one part of one little formula within the formula, it can change outcomes and it's really frustrating for us. [LR492]

MARLENE UHING: It is and for us too. And that's what's chaotic for us, the changes, and I know what you're trying to do and the resulting not funding the formula is one thing, but the changes have also really impacted us in a...it's pretty chaotic. You don't know what's going to happen from year to year. So an equitable formula that we know what's going to happen, I'm sure that's, you know, your thoughts as well but, so. [LR492]

SENATOR ADAMS: Senator Sullivan. [LR492]

SENATOR SULLIVAN: Thank you. Thank you again, Marlene. This is perhaps more a philosophical question because as you say, out of necessity with our state coffers, we've had to tweak the formula, so to speak, and maybe we've not risen to expectations of school districts. But the reality is, perhaps we're not going to return to those golden days of having more resources than what we had in the past. Do we need to rethink what we mean about a quality education and, as you said, what our expectations are for what that education is for children, and what it's going to cost? [LR492]

MARLENE UHING: I think that's a really great question and I think there's some...there's a lot of validity to that question in terms of, you know, as we look at where schools are going just with instructional time, for example, again technology is going to change that a lot. Seat time isn't necessarily going to equate to what we're doing for kids, what you can do with technology and what you can provide. So what we have to do for Rule 10,

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and while we're in that transition of moving to what a twenty-first century education looks like, I think so, defining that and how we fund that, what that looks like, I think that's a very valid point. I really do. [LR492]

SENATOR SULLIVAN: No answer, though, huh? [LR492]

MARLENE UHING: Well, you know, I think it looks different. I think some of the things we're doing we are required to do that don't...that aren't necessarily...it doesn't look like what education looks like in the twenty-first century. I think technology is a big piece of that in that, you know, all children in Nebraska should have the same access to information and those technology tools. So here's a philosophical question. I have the money to do a one-to-one initiative, but school B does not. These students go home and have those tools and access and these children do not. It may be a poverty issue again and really access to information, that's the kind of world we live in and all kids should have that. So I agree with you. I think that's a pretty long discussion about what...how to define that and fund that, but ultimately, yes. What does that look like and what would it cost? And I think there was a few years ago there was some pretty...a lot of work done into defining what education would be like and it's probably time to look at that again because it is changing. [LR492]

SENATOR SULLIVAN: Thank you. [LR492]

SENATOR ADAMS: Even that argument lends itself if you go to the teacher education allowance. When it was created, you didn't have on-line graduate courses and therefore certain school districts were put in a position geographically where they had teacher education programs that they were seeing more master's degrees, which was equating to a unique cost to those school districts. And if an allowance is designed to recognize unique costs, the question is today, maybe because of the computer, are those really unique costs anymore having master's programs like that? Are there other questions for Marlene? Thank you, ma'am. [LR492]

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MARLENE UHING: Thank you for the opportunity. I appreciate your work. [LR492]

SENATOR ADAMS: Sure. Next testifier. [LR492]

DAVE MELICK: My name is Dave Melick, M-e-l-i-c-k. I currently serve as director of business operations and human relations for the Columbus Public Schools. Like an earlier speaker, I'm going to choose to read because I just work better that way. I thank the Education Committee for listening to our thoughts regarding TEEOSA. The basic intent of the formula, providing resources to districts that can't afford them with local resources, is very worthy. However, there's some concerns of TEEOSA that I'd like to share with you. First, I believe that TEEOSA should be fully funded. The intent of statute 79-1002, Section 1, is to provide funding sufficient to support statewide general fund operating expenses for Nebraska public schools. Section 10 of the statute refers to measured growth in the formula, the appropriation, in conjunction with limiting districts' budget growth. But Nebraska does not fully fund the formula. I believe the state needs to comply with its own statute. Second, regardless of whether TEEOSA is fully funded, state aid should be provided to those districts that have demonstrated needs that cannot be met at the local level. As noted earlier, Section 5 reinforces that, noting that local resources are to be taken into consideration in the formula. Related to the allocation of state aid are local levy rates. It's a fact that some districts generally through large agricultural valuation are simply in an advantageous position compared to other districts. Section 9 of the statute assures a greater level of equity in property taxes, yet there remain significant differences in levy rates of adjacent districts. Districts should levy at the minimum rate in order to receive state aid. Section 2 of TEEOSA notes that there is an intent to reduce the reliance on property taxes, but when state resources are reduced, I believe districts should be allowed a levy exclusion for the amount of the reduced state aid. Third, I'm glad to see that you're considering some changes to the instructional time and teacher education allowances. With the instructional time allowance, I have three primary concerns. First, there's very little guidance regarding

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what counts as instructional time. Some of the time allowed, such as passing time between classes and recesses at times other than lunch, is simply not instructional time at all. Second, I believe the reporting process allows the potential for manipulation of instructional time calculations that may not reflect actual increases in instructional time. My third concern is the effect of longer school days on students, particularly our younger students. While the length of the school day is a management prerogative, an increase in minutes per day may be implemented to increase instructional time, and the main result will be that students are in school beyond the amount of time they can legitimately focus on academic issues. A better method would be to recognize districts that increase the number of days that students are in school rather than the minutes per day. More days in the school year would have the added benefit of reducing the loss of learning that can happen during lengthy summer breaks. With the teacher education allowance, there are factors that cause me concern. First, there's insufficient evidence that merely attaining an advanced degree improves the quality of the teacher in the classroom. There are increased numbers of teachers who attain advanced degrees in general areas, such as curriculum and instruction or administration, rather than the subject area that they are teaching. Also through greatly increased availability of coursework via cohort groups, distance learning, and compressed class schedules, I'm concerned that the consistency of academic rigor between graduate level programs may be suspect. Finally, NeSA testing. This has become an unfunded mandate for Nebraska school districts. I'm referring to the requirement that NeSA testing be conducted on computers that districts may not have in sufficient quantity to permit optimal scheduling of the testing sessions. When adequate technology resources are not available, someone is going to have to be tested earlier in the window of opportunity. Early testing results in the reduction of instructional time leading to the test, the increased likelihood that essential learning objectives will not be mastered by the students. Districts should be provided the opportunity to levy and spend for adequate technology resources to meet the needs of NeSA testing and other technology initiatives. Thank you. [LR492]

SENATOR ADAMS: Thank you, Dave. Are there questions for this testifier? Jeez,

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they're going to let you off the hook. [LR492]

DAVE MELICK: That's okay. [LR492]

SENATOR ADAMS: You know, Dave, I don't mean to pick on you because it's been said multiple times today about fully funding a formula. And in my mind, we have to look at that two ways. I believe we've always fully funded the formula based on what we've said the needs and the resources calculation is. Now, does that mean 20 percent or 15 percent had we funded it at the levels that the statute might have said, you're right. We have that difference. But do I wish we could fund it more? Yes. Senator Sullivan. [LR492]

SENATOR SULLIVAN: With respect to technology and the NeSA testing, so was the...I guess the message I'm hearing that that's a challenge for you in terms of providing computer availability in the Columbus Public Schools? [LR492]

DAVE MELICK: I'm not sure at Columbus. I'd have to refer to someone who has been there more than two and a half months. I know it is a challenge in some districts. Some districts are blessed...I came from a district before moving to Columbus that had a one-to-one and we had sufficient resources to do that. And I'm also aware of another district who...some teachers had to go very early in that window of opportunity and did not have a chance to do all the teaching that they wanted so that the kids could do as well on those tests as they wanted. Other grade levels got to go later in the test period and, you know, I think there's...everyone's looking at the accountability issue, both on a school level as well as a teacher-by-teacher level, and I think there are some concerns from that perspective. [LR492]

SENATOR SULLIVAN: Thank you. [LR492]

SENATOR ADAMS: I think we can bog down computer labs or other kinds of instruction

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when the test is being given too. [LR492]

DAVE MELICK: Correct. [LR492]

SENATOR ADAMS: Senator Avery. [LR492]

SENATOR AVERY: Thank you. Do you think that there perhaps is something to be gained by consolidation of some of these districts? Columbus, for example, you could perhaps consolidate with some of the smaller districts in Platte County. And if you did, I know it would not be easy, believe me, but you might be able to capture some advantages, some economies of scale, for example. [LR492]

DAVE MELICK: I know that's a model that's been tried in most of the states bordering on Nebraska and I think it's been a top-down model from the Legislature in those states to cause that to happen. I don't see...haven't been in Columbus long enough to say, factually, but I'm not aware of other districts that have applied for inclusion within Columbus Public Schools. [LR492]

SENATOR AVERY: Well, anything that we at the state level could do would have to involve incentives. [LR492]

DAVE MELICK: Right. [LR492]

SENATOR AVERY: And I suspect those incentives would have to be monetary incentives. [LR492]

DAVE MELICK: That would make sense. (Laugh) [LR492]

SENATOR AVERY: But you do recognize, perhaps, there would be some advantages to be gained? [LR492]

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DAVE MELICK: I think that's a loaded question. (Laughter) I think that's a...it's a challenging issue that would require quite a bit of study. [LR492]

SENATOR AVERY: Do you have board members here or something? (Laughter) [LR492]

DAVE MELICK: No, I don't have board members. (Laughter) No, we didn't invite them. [LR492]

SENATOR ADAMS: I remember being invited several years ago to Columbus to talk with Lakeview and Columbus Public Schools and if I remember right, I had to go to different rooms. (Laughter) It went like that, which is not a whole lot different than Grand Island Northwest. Senator Raikes and I went over and talked with them too. Are there other... [LR492]

DAVE MELICK: And we're still two separate districts. [LR492]

SENATOR ADAMS: Yeah. I understand. Are there questions? Thank you. [LR492]

DAVE MELICK: Okay. Thank you. [LR492]

SENATOR ADAMS: Next testifier. Anyone else that would wish to testify? Jon. [LR492]

JON HABBEN: Thank you. My name is Jon Habben, J-o-n H-a-b-b-e-n, and I am the executive director of Nebraska Rural Community Schools Association and also spent 17 years as a school superintendent in one of the smallest schools in the state up toward a school that was small B and have a range of experiences, I guess, among those. I don't want to be repetitive. There are some things that were brought up that I think I would like to address. One is the issue of sustainability. I asserted less than a year ago at a

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public hearing in the Legislature that the total amount of funds available had a lot to do with the political discussion about what was important. I believe that. But that doesn't make your job any easier to come to that conclusion because, in effect, there are limits to how much money is available, whether it's K-12 education or anything else. But I do think the issue of sustainability, it appears that there's two different ways to look at that. One is I use the issue of sustainability so that I don't have to pay out any more than I have to. Or the issue of sustainability is, you know, this is probably about as far as we can go. I mean, we don't have much more room to go, this is about it. And I think that's where some of the struggle comes in, irregardless of size of school, is when we're talking about the size of the pot, which of these definitions of sustainability are we talking about? It's a little bit like, I would liken this to the years when I negotiated for teachers during the 13 years I was a teacher, and different school boards approached that a little bit differently. One school board really gave teachers the impression that it was doggone trying to do its best. I mean it was. We worked at it, the discussions were positive, trying to do its best. You know it was easier to take less from them. The boards that came into the negotiations process and gave teachers the impression that we're not going to pay any more than we have to, that was a hard, hard pill to swallow. So I would just lay that in front of you that that colors some of this discussion. And I think, Senator Avery, you mentioned this is probably one of the best pro education committees that we could ask for. That's what we want to believe. Absolutely, that's what we want to believe. And we know the sky is...the limit is lower than the sky. We understand that, but we do want to believe that. It is very important in the sense that if we are talking to you about anything, we want to believe that you see it as important as we see it. And we thank you for that. One of the things that goes along with that is predictability. We hear a lot from superintendents over the last number of years about, I didn't see that one coming. I lost how much? I didn't expect that. And then, of course, the unsaid one is, we gained that much? (Laughter) And you don't hear a lot about that. But the fact is, this feeling. Now, I don't know if it's necessarily mathematically accurate every year that everybody bounces up and down like a rubber ball, but I do know that calls for predictability are heard often. And, you know, I understand that you don't necessarily

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want to legislate by model, by printout because that would be next to impossible to do because everybody has got an interest. But this issue of predictability is real. It is a part of the planning discussion that schools want to...schools don't just...and I should say superintendents and business officials and boards, don't just want to look at the next year. They want to look further than that, and that is really critical. So it's not just the volatility from certification to the next certification. It's volatility over two or three years. So when you talk about trying to massage this particular formula or any formula, and you're trying to find ways to make it more equitable, more fair, whatever words we want to attach to it, that issue of predictability is important. And again, it's not just from February 1 or February 15 or March 15, whatever it is, to the next 12 months down the road. It's two or three years down the road. And that is a tough thing, I think, to make a state aid formula fit that because the data that gets put in from school districts changes. And it changes 249 times. So...but it is important. I would like to mention something about the basic allowable growth rate. Gosh. I think you heard it here on early childhood just as you have heard it from school districts at various times. You know, our levy is down here and we've got the same restriction as somebody who has slammed up against the \$1.05. We can't improve our school. We can't make up for that loss in early childhood money. Or we had to make some reductions a couple of years ago and we can't get back. We're stuck. It goes back to several years ago when budget authority was restricted and schools were looking at each other saying, but we'd been accumulating budget authority as a method of protecting ourselves so that when bad things happen, we'd be able to at least have the authority to use whatever resources we had. Gone. So the lesson from several years ago has been, how on earth do you protect yourself for whatever is happening in the future? Now, the reserve requirements. The reserve requirements at 25, 35, and 45 percent, I don't know how many schools are even up close to those reserve percentages. I think schools use their reserves to be able to hold on to their programs as long as they could hold on and then, pretty soon, it came time, you had to make the cuts. You used your reserve to avoid making cuts or to lessen the cuts, but then there you were. Reserves down, now what do you do? That spending authority helps a district get back to where they tried to be. The spending

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authority helps the school attempt to grow its programs from, this is okay, but we'd like to be here. Now, I need to tell you that our members, which range from about the 25th largest school in the state down to the smallest, we know that your enrollment is going to dictate how much curriculum you can probably develop. I don't think that any of the schools I was at, from very small D2 to the small D1, there were differences in the curriculum at all three of them. Could the D2 school have said, I want the same exact curriculum for my kids that the small D1 school said? Well, no, it's not realistic. You don't have enough kids, you can't spread them amongst the curriculum. How do you do that? Distance learning is providing some options. But the fact of the matter is, with this idea of spending authority, you get to pursue the possibilities. I totally understand in LB235 why you did what you did in order to create an equity circumstance, a fairness circumstance. I...what was it? I think maybe you said it on the floor something about, I don't think any of us here like this. No. But where were we at, what were the boundaries, what was the size box we were in, how were we going to fit inside of the box? We got to do something. And so LB235 came about. Well, okay, we're heading into post LB235. Valuations have gone up even more. The plea is, can we get some of that spending authority back even if it's limited to 1 or 2 percent by supermajority board vote like we used to have? Or if it's whatever you spend above the 1.5 percent can be exempted from the...your local budget so that it's not counted in the statewide budget, anything to allow that ability to access funds that are available. It's sort of like you get slammed because your valuation went way up and then you get slammed because you can't use it. How does that balance? Now, I will tell you on the valuation issue, I had seven meetings around the state before the July 23, 24 meetings so that I could ask superintendents what was going on. And there were ranchers that were not happy about valuation, and I think you probably heard some of that. And I understand, that's the Revenue Committee. Totally understand that's where that issue belongs, and they need to be talking to their organizations and looking in that direction to deal with that kind of an issue. I think we all understand that. Outside of that, valuation pretty much is what it is. Another point I'd like to make, the LER, you know, I've heard from superintendent after superintendent after superintendent, we want that back at \$1. And I

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understand exactly what you're saying is, if you're looking for the largest trigger to be able to fit in what the available box is, you're looking at spending authority, but you're really looking at LER. That said, I would hope that there's a way to bring that LER down at least as much as possible; \$1.39, what was it, \$1.3975, it was a shock to everybody when LB235 came out. They didn't expect that it was going to go that high. Everybody understood the explanation for why it went that high to again fit into the box. But obviously, if it's possible to bring that LER down, that's...that and the spending authority are two really critical issues in terms of local school district funding. The last thing I want to mention--second to the last thing--local choice adjustment, and I'm bringing this up mainly because Senator Avery asked the question about consolidation. The local choice adjustment for schools below 390, our organization looks at that as, that's kind of offensive. We don't like that any more than we like the 50-15 type legislation from 15, 20 years ago. We feel that it is punitive. We feel like there is no basis for it, shouldn't belong in the state aid formula. Has it caused any school districts to sit down and say, because of the local choice adjustment we must close? No, no. It isn't encouraging anybody to consolidate. It's simply viewed offensively by the schools that suffer its calculation. As far as a reorganization incentive, do it outside TEEOSA. I don't know where the money needs to come from, but do it outside of TEEOSA. That would be my hope for that particular issue. Now, I've also been asked, well, does that mean you also think minimum levy should disappear? No, I understand minimum levy. I didn't like it when I was superintendent and came up a little bit short of it, but I understand why minimum levy exists. I...it's one of those things that there has to be a point at which you don't get equalized state aid, or you should have some equalized state aid subtracted and minimum levy is the state aid formula answer to that. Local choice adjustment, different discussion. Last thing I'd like to say is, on July 23 and 24, and it was started clear back in March, April by some NASBO, Nebraska Association School Business Officials, members that began talking about what so many, so many superintendents were thinking about, oh, my gosh, what happens for '13-14? Where are we headed? What are the possibilities? And as they started that discussion, it eventually ended up with NRCSA being involved and a joint meeting of representatives from both districts on

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July 23 and 24. I will tell you that the effort to provide that information to the Education Committee hopefully was sincere on everybody's part. I don't believe there was any interest in let's make this rural versus urban. I think the interest was, can we in some fashion try to find some commonality? Can we in some fashion try to help the further development of the state aid formula? It's not a Pollyanna thing. It's not. There will be differences of opinion as the group of 12 committee kind of attempts to see this thing through. We can't expect that everybody is going to smile and hug and walk away and say, we all came out wonderfully, kind of like Lake Wobegon. It's probably not going to happen. But I think it's an effort, and I really appreciate the fact that the Education Committee was willing to look at that information and hopefully we can continue to have the ongoing discussion about that. It's a work in progress and I thank you for encouraging that. [LR492]

SENATOR ADAMS: Well, Jon, just the fact that NRCSA and GNSA are in the same room together talking, in and of itself, is an achievement if nothing else comes out of it, wouldn't you agree? [LR492]

JON HABBEN: (Laugh) Oh... [LR492]

SENATOR ADAMS: I had someone from OPS tell me the other day, my gosh, I didn't realize local choice was that big a deal to those little schools. Ah. A lesson learned, Jon. [LR492]

JON HABBEN: Yeah. [LR492]

SENATOR ADAMS: Well, thank you for the fact that the two groups have been meeting and I don't mean to speak for the whole committee. I only speak for myself nor do I expect by January that you'll all be holding hands together singing Kumbaya. We have come up with something. We know there will be differences and this committee will have to reconcile those differences between you, but it makes our work more

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productive, I won't say easier, but more productive if we can hear from the school districts that are having to deal with this every day. I appreciate it. Are there questions for Jon? Anyone? Jeez, you covered everything, Jon. (Laughter) Well, and you have the unfortunate...I shouldn't put it that way. You have the difficulty in your membership of having both equalized and nonequalized schools to speak for. [LR492]

JON HABBEN: Yes. We sure do. [LR492]

SENATOR ADAMS: And that's a tough deal. Growth limitation and I don't know what the number is going to be, but I realize there's got to be some growth there. And we'll be looking very seriously at that and the LER. We understand the impact there too. [LR492]

JON HABBEN: Appreciate it. Thank you. [LR492]

SENATOR ADAMS: Anyone else? Thank you then, Jon. [LR492]

JON HABBEN: You bet. Thank you. [LR492]

SENATOR ADAMS: Another testifier? Anyone? Ah, it's getting close to the bewitching hour. You're losing strength. Anyone? Well, I don't intend to beg for testifiers, so. And with that, if there is no more testimony, we will--I'm slowly saying it--conclude our hearings for today and appreciate you all being here and we will be in Gretna tomorrow. Thank you all. [LR492]