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Education Committee Omaha
October 07, 2013

[LR182]

The Committee on Education met at 10:00 a.m. on Monday, October 7, 2013, in Omaha, Nebraska, for the purpose of conducting a public hearing on LR182. Senators present: Kate Sullivan, Chairperson; Tanya Cook; Al Davis; Ken Haar; Rick Kolowski; and Les Seiler. Senators absent: Jim Scheer, Vice Chairperson; and Bill Avery. Also present: Bob Krist; and Jim Smith.

SENATOR SULLIVAN: Good morning, everyone, and welcome to the LR182 public hearing. I'm glad to see so many of you here. I'm Kate Sullivan, I'm Chairman of the Education Committee. And I'd like the members of the committee that are here today to introduce themselves. Senator Haar.

SENATOR HAAR: I'm State Senator Ken Haar from northwest Lincoln and northwest Lancaster County.

SENATOR COOK: I'm Senator Tanya Cook, and I represent Legislative District 13 here in Omaha and northeast Douglas County.

SENATOR SEILER: My name is Les Seiler. I represent Hastings, Adams County, all of Hall County except the city of Grand Island.

SENATOR DAVIS: I'm Senator Al Davis from northwest Nebraska, representing 21 percent of the state, 16 school districts in 13 counties.

SENATOR KOLOWSKI: I'm Senator Rick Kolowski from District 31, southwest part of the Omaha area containing the southwest part of the Millard district and some of the Elkhorn district. Thank you.

SENATOR SULLIVAN: Thank you, Senators. We also have several staff helping us

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today. On my far right is LaMont Rainey, legal counsel. Tammy Barry, another legal counsel for the committee, just had to step out for a minute. Mandy Mizerski is our committee clerk and will be handling the recording of the hearings today. I believe we also have some senators that are here with us today that are not members of the committee. I think we have Senator Bob Krist and Senator Jim Smith, so we welcome them as well. I wanted to give you a little background in terms of what LR182 is all about. I know you have some information as well, but our charge was to study the delivery and financing of public education, K-12, in the state. You also need to know that by virtue of my position as Chair of the Education Committee, I'm also sitting on the Tax Modernization Committee. And in those hearings that we've held thus far, we can see that there is a direct link between taxation and school aid. So we've heard a lot about school funding in those hearings as well. But when the committee first met after LR182 came into being, we decided that we wanted to approach this hearing process or this study with a blank slate. So we didn't come into any...with any preconceived notions. Neither did we just want to focus on what is. We're trying, to the extent possible, think outside the box and look at new alternatives. So we're very open to not only taking a look at what's working in the formula now but certainly what might be as we, perhaps, craft something different. Of course, even with that in mind and if we want to start with a blank state, we still have before us a constitutional responsibility, 249 very different school districts, and over 300,000 children that are in our care to provide an education for. But by the same token, as I said, we're wanting to look at some broad concepts as well as specifics, and we're eager to listen to all of you. So as far as the logistics for the hearing today, if you're planning to testify, I hope you'll please pick up a green sheet. And don't turn that in just now. We want you to fill it out in its entirety and when you come up to testify, then hand that green sheet to LaMont before you testify. If you do not wish to testify but would like your name entered into the official record as being present, there's a form on the table for doing that as well. If you do not choose to testify but would like to submit written comments, you can do that also. But in submitting that, please indicate on that handout that you want that entered as part of the official record. Please fill out the green sign-in sheet. Print and fill it out in its entirety and, as I

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said, give that to LaMont when you come up. If you have handouts, we hope you will have at least 12 copies to give to the committee clerk so that all the senators and the staff can have a copy. I've been trying to figure out how these microphones work and as you see, we push our buttons to have the microphone on; we can push it off and the sound will go off. That's not the case with the microphone where the testifiers will be testifying. Those mikes are on all the time. So we ask that if you're not testifying and you're out in the audience, please keep your comments down to a minimum because the microphone will pick up that outside conversation. Please turn off your cell phones. We will have a cell phone up here but only for the purposes of keeping time. I guess we've got a clock up there that will keep track of as well. We are on a bit of a limited schedule today. We are allowing two hours for this hearing, and we'd like for the testimony to be limited to five minutes each. I would like to know, just so we've kind of got a feel for what's going to be taking place, how many are planning to testify? Well, it appears that we've got a full house. And, as I said, we'll limit the testimony to five minutes and we'll also limit our questions as well, because we do want to give everybody a chance to testify. So I think that probably takes care of everything that I need to talk about right now. So with that, we will open the hearing on LR182 and we'd like to hear from our first testifier. Sir, did you have your green sheet? [LR182]

DOUG KAGAN: Oh, yeah. [LR182]

SENATOR SULLIVAN: Thank you. And as he's doing that, I don't know if I mentioned that when you start your testimony, please say your full name and spell it for the record, so again we have an accurate recording. And also, as we go through the testimony, if a testifier makes some comments that you were prepared to give as well, there's nothing wrong with saying I agree with what's been said, rather than repeating some of the points that have already been made. Thank you. Welcome. [LR182]

DOUG KAGAN: (Exhibit 1) Good morning. My name is Doug Kagan. I represent Nebraska Taxpayers for Freedom. Nebraska ranks among the top ten states in the U.S.

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in the number of government entities per capita, including hundreds of school districts. State aid bases on school budget spending and needs, not on actual school district costs as it should be. We oppose automatic escalators in the state aid formula for school districts. Instead, we propose a new reference point for state aid to districts, an incentive to reward districts that spend less money. One way for districts to spend less is to pursue shared costs and shared service agreements for use of facilities like the Saddlebrook complex here in Omaha. The objective of such agreements is to provide pooled resources without adding regulatory burdens. School districts should consider these opportunities when preparing updates to schedules of capital improvements and when planning and designing or renovating present facilities: share classrooms, libraries, recreational facilities, playgrounds, stadiums, gymnasiums, ball fields, and auditoriums with other school districts or government subdivisions; rotate equipment; share administrators and support personnel, counseling services, testing, financial management, and instructional TV; share contracts for road, sidewalk, and parking lot repairs, purchase of office furnishings, maintenance of athletic fields and lawns, electrical, plumbing, and custodial services, vehicles and vehicle maintenance, Web site design and maintenance, insurance, and food services. Each district would contribute an amount based on total district enrollment or use. Local districts can leverage their purchasing power and gain more purchasing options and perks. Each school district would remain independent and autonomous, with its own tax base. More than 30 states now provide such sharing agreements. Our Legislature should enhance these opportunities. The advantages: participants can share underutilized and expensive equipment, facilities, and employees. Duplication of services and efforts will disappear. A local school district can obtain a service or product that itself could obtain only at higher cost. Districts could avoid expensive startup costs of buying new equipment or hiring additional staff for a service. In conclusion, this process would both relieve the pressure on state funding with income and sales taxes and relieve the pressure on school districts and the property taxpayers that fund these districts. We ask you to please peg state funding on the willingness of districts to cooperate in their spending. Thank you. [LR182]

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

STEVE BAKER: (Exhibit 2) My name is Steve Baker, S-t-e-v-e B-a-k-e-r. I'm the superintendent of the Elkhorn Public School District. Senator Sullivan, members of the Education Committee, thank you for providing this opportunity to share comments. State aid is a complicated formula. It attempts to address the ever-changing needs of 249 diverse school districts. As the formula is being discussed, we want to make sure that the needs of a rapidly growing school district are voiced, especially a growing school district assigned to a Learning Community. The Elkhorn Public School District brings to this discussion a unique perspective. Elkhorn has increased its enrollment for 27 consecutive years, and as the seventh largest school district in Nebraska, has a K-12 enrollment of over 6,800 and over 7,000 with the addition of pre-K. Elkhorn has doubled over the past decade and while we have been adding approximately 1,000 students every three years, this year alone we have increased by 524 students. Please allow me to put that growth into perspective. This year alone, Elkhorn's enrollment increased by more than the total enrollment of the Ord Public Schools. In most years, Elkhorn's growth is greater than the total enrollment of approximately two-thirds of Nebraska's school districts. Over the past decade the enrollment doubled from 3,099 pre-K-12 to 7,002. This increase of 3,928 students is greater than the total enrollment of the Hastings Public Schools and almost the size of the Norfolk Public Schools. Since 2002, Elkhorn has grown by the equivalent of six Valentine School Districts, eight Malcolm School Districts, 34 Cedar Rapids School Districts. Are we almost done growing? No. Our master facility plan indicates that Elkhorn eventually will reach a K-12 enrollment of over 18,000 students. Since 1992, Elkhorn patrons have approved over \$210 million in construction projects that included two new early education centers for disabled children, six new elementaries, three new middle schools, one high school, additions and remodels to every school in the district, and will be back to the voters in 2014. Elkhorn is unique not only because of growth, but it also brings to the state aid

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discussion three characteristics that I'm not sure many other districts can claim. First, we are currently an equalized school district, like many. Second, Elkhorn has been a nonequalized school district. And finally, Elkhorn is a member of a Learning Community. Senators, when Elkhorn transitioned from being an equalized to a nonequalized school district, we did not lobby the Education Committee to change the formula. We believe that the formula is working as it was intended. We caution to move slowly with changes to the formula just because of shifts in assessed valuation and the number of school districts receiving equalization aid. When Senator Raikes drafted LB988 he invited the input of the growing school districts along with Gretna and Bennington, and we worked with Senator Raikes. He understood that a common levy without provisions for growing school districts would be catastrophic. These growth adjustments in the state aid formula are not only there for growing school districts in a Learning Community, they're there for all Nebraska schools districts. The two adjustments that were added to the formula allowed growing school districts to project their enrollment increase and receive the state aid in the actual year of growth instead of the following year. The second adjustment allowed school districts to receive assistance with the opening of a new school. Senator Raikes understood that the increase in operational expense was usually phased in over a two-year period and included this adjustment in the formula. Elkhorn did not cry foul in the past when equalization aid was taken away. We do not believe a sustainable formula changes as assessed valuations change. Either the Legislature embraces a formula calculated upon needs minus resources equals state aid or it doesn't. Senator Raikes clearly understood that as long as a Learning Community had a common levy there must also be growth provisions for adjustments for rapidly growing school districts. The state aid formula may appear to be complicated, but there are often simple explanations for each nuance of the existing formula. Thank you for allowing me this opportunity to speak. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Baker. In some of the previous hearings, there have been comments about handling facilities and maybe, perhaps, having the state have a greater role in that. Do you have any challenges? You mentioned that you had to

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put in several new buildings to accommodate your growing enrollment. [LR182]

STEVE BAKER: I don't know. I mean, right now the only way to address growth for a school district is through a bond issue. And, knock on wood, we have been successful in most of our bond issue attempts. There was one that failed a long time ago, and Dr. Breed always blamed that upon me. (Laugh) But he's no longer the superintendent, so I blame it on him. I see school districts that struggle with getting a bond issue approved. Had we not been able to pass bond issues, I don't know what we would do because when you double a district's enrollment, over 500 students, that's a school we just added this year; or in Nebraska terms, we just added a district to ours. So certainly it would be welcome, but I'm not holding my breath on that. [LR182]

SENATOR SULLIVAN: Okay, thank you. Any other questions? [LR182]

STEVE BAKER: Yes. [LR182]

SENATOR SULLIVAN: Senator Kolowski. [LR182]

SENATOR KOLOWSKI: Steve, thank you for your testimony this morning. Thank you very much. What is your levy at the current time, please, just for clarification? [LR182]

STEVE BAKER: Dollar--let me think here--31 cents. [LR182]

_____: Thirty-one and a half. [LR182]

STEVE BAKER: Thirty-one and a half--\$1.315. [LR182]

SENATOR KOLOWSKI: Thank you very much. [LR182]

STEVE BAKER: You bet. [LR182]

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SENATOR SULLIVAN: Thank you for your testimony. [LR182]

STEVE BAKER: Thank you. [LR182]

JUSTIN WAYNE: This is a little awkward sitting on this side of the table. Good morning, Chairman Sullivan and Education Committee. My name is Justin Wayne, W-a-y-n-e, and I have the honor of serving as the president of the board of education for the Omaha Public Schools. I just want to take a brief second to acknowledge many of our school board members, if they would stand, please. Lacey Merica, Matt Scanlan, Lou Ann Goding, Katie Underwood, and also we have City Council President Pete Festersen and Douglas County Commissioner Chris Rodgers. And I just wanted to mention that because I think it speaks volumes of the way I believe this Omaha Public Schools is moving in the right direction along with this community. I want to take a minute just to say welcome to Omaha Public Schools and to thank you for holding this hearing and tackling such important issues facing our children. Today I would also like to share with you some information about Omaha Public Schools and a direction we believe we are heading and how you can help us be successful over the next five years. After talking to board members individually, I can assure you that the vision for Omaha Public Schools is to be the model urban school district for the rest of the country by providing high-quality education for all of our students, maintaining high-quality teacher and work force and staff, and producing high-quality students that are ready for the twenty-first century. And I believe we are truly moving in the right direction. Let me take a few minutes to share with you some interesting facts. Currently, OPS serves roughly 50,000 students which accounts for 17 percent of Nebraska's pre-K-12 public school population. Over the last decade, our English Language Learners has increased almost five times from 3,425 students to 4,644 students. To put this in perspective, committee, OPS's English Language Learners population is larger than the fourth largest school district, which is Bellevue Public Schools, with a total student population of 9,674 students. Again, our English Language Learners is the fourth largest school district if we

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were to separate them out. Furthermore, OPS has over 100 different spoken languages. It is also important to note that many of our ELL students are refugees. In the last four years the number of refugees has grown from 992 students to 1,566 students. Please note the definition of refugees: It is a person who has been forced to leave their country in order to escape war, persecution, or natural disaster. I mention this only to explain that many of our ELL students are not coming to Omaha or to Omaha Public Schools speaking English. Often they know little or no English. Furthermore, many of these students have never been in a school setting. Many of these students have been uprooted from their family and homes. These students often need significantly more resources than the average Nebraska student. Shifting gears a little bit, imagine a classroom where 20 out of 25 students require additional support and resources that we all know that poverty students need--yes, 20 out of 25 students. The state free and reduced lunch percentage without OPS is 33.6 percent. OPS's free and reduced lunch student population is 73.14 percent. That's nearly three out of four students that are in poverty. Over the last decade, that has increased by 44 percent. Yet despite these demographic changes, OPS continues to make progress during this time, and I believe we are poised to do more. A year ago, I met many of you and asked you for support for shrinking the Omaha Public School board size. And you guys did. Now I'm asking you to give us a solid foundation to operate over the next five years. Since the new board has taken office, we have accomplished the following: We launched a new pre-K program which expanded our pre-K services to over 60 students, and we are looking to continue this expansion. Let me be clear. We all know the importance of early childhood education, and this can only be sustainable with your help. We hired in-house counsel. This is to reduce our legal fees and to chart a course where we can have more consistent legal fees and more consistent legal operations. We hired a director of communications to better communicate externally and internally with all stakeholders. We are conducting a curriculum audit. This audit will ensure that our students are getting the rigor they need to be successful in life. We are also doing a facility update which will be, hopefully, finalized by mid-December, which we are going to look critically at all of our facilities to understand what our school system needs from a structural

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standpoint. We are also doing a human capital audit. This is part of our strategic plan in which we're reviewing all of our internal structures to make sure our human capital and resources are properly aligned with the services that we need to provide our students. And lastly, we are conducting our strategic plan, and this has been the first time it's been done in over two decades. This will lay the groundwork for us to be the model school district for the rest of the country and will create alignment and focus for all of our teachers, staff, and the community. I believe we are doing everything that this Legislature asked us and demanded from us during the last session. Never before has this school district seen as much support from a diverse group of people as we have. The Omaha Chamber, to private foundations, to community leaders, everybody is now involved, and we are all looking to align all those resources for the best interest of our students. But please note, this strategic plan, this exciting time, is only as good as the stability of the funding behind it. That is why I'm here today to ask you, respectfully, to increase special education funding outside of TEEOSA, increase support for early childhood development, and most importantly, provide stability in our funding system over the next five years. That is, we ask, to the greatest extent possible, that the formula be adopted for the long term with changes that are only necessary. It is only with your help that we can move OPS from good to great. And that can only be done, again, with stable funding. Thank you for all you do. I'll entertain any questions. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Wayne. Any questions? Senator Cook. [LR182]

SENATOR COOK: Thank you, Madam Chair. Thank you, Madam Chair and thank you, President Wayne, for joining us today. You spoke to the issue of stability in funding, and that's something that this committee is very, very familiar with, having had a very exciting legislative session in identifying our priorities. What suggestion might you offer that would lend to stability not only for the Omaha Public School District but among the other 248 school districts? [LR182]

JUSTIN WAYNE: Well, from our standpoint and, again, speaking on behalf of the

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board--and Mr. Evans will go into some more detail in exactly what the district is looking for--but from our perspective of a board perspective, we need stability in the sense of either maintaining what we currently have because we know what we currently have and it's predictable right now for us; so as we finish our strategic plan, we know what the numbers look like and we can prioritize where that money should go to fulfill our strategic plan. So I don't have a figure, but from a board's perspective, we just need stability so we can predict over the next five years where we can place our money to best serve the students that we are currently serving. So I don't have an exact answer for you. I just wish that we would have stability and not tweak the formula every year so when we do have our strategic plan over the next five years we can look back and say we've been able to accomplish this, this, and this, not as a result of funding going up and down. [LR182]

SENATOR COOK: Okay. I have another question. What is the board's commitment at this time to open enrollment with the district and the opportunities represented through the Learning Communities? [LR182]

JUSTIN WAYNE: That's a great question. We currently...our district currently follows the exact same formula--and I don't say exact because there's always some factual situation that may arise as a Learning Community--and at this time, any person, any youngster in our school district can open enroll to any school that we have. The only issue is capacity. And with any growing school district, as we're growing too, there are capacity limitations on whether a student can enroll at a certain school. We do look at factors as free and reduced lunch. We also look at factors, siblings. We try to keep families together in schools; it's no different than what the Learning Community is doing. But our biggest limitation is on capacity. As we move forward with early childhood and we look to increase early childhood in our buildings, it goes back to that capacity issue. So students can go wherever they choose to go in our district, it's just only the main factor is our capacity to have those individuals at that school. [LR182]

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SENATOR COOK: Is transportation a consideration as you're talking about that in your strategic planning process and on the existing board? [LR182]

JUSTIN WAYNE: Yes. One of the conversations we've already had publicly is that out of our strategic plan, we know some things are going to bubble up, just the nature of what we're already hearing. And one of those is our student assignment plan. And I envision in early spring and throughout the spring and throughout the summer, we'll have a committee look at our student assignment plan. That's what controls our open enrollment is our student assignment plan. And we'll look to revamp that. And part of that is because of the growing population in--Senator Cook, as you're familiar with--in that northwest quadrant there's growing population and also our growing population in the southern part of the city. We have to revamp how we're going to do our student-assignment plan. We haven't looked at that for a couple of decades as a board, and we are going to out of our strategic plan. And costs and transportation costs will be a discussion point, definitely. [LR182]

SENATOR COOK: One more? Okay. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

JUSTIN WAYNE: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

SAMUEL MEISELS: Good morning. My name is Sam, Samuel Meisels, M-e-i-s-e-l-s. I'm the founding executive director of the Buffett Early Childhood Institute at the University of Nebraska. And I've been a resident of Nebraska for four months and one week, so we'll take that into account as well, I hope. I want to thank you, Chairperson Sullivan and the members of the committee, for allowing me to speak with you this morning. My interest, as you can tell from the title that I bring with me, is in the early

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years of life and early childhood education. The Buffett Early Childhood Institute was created in response to evidence about the effectiveness of early intervention, evidence accumulated over the past 50 years that assures us that the early years of life are the most critical of all for building intellect, strengthening social and emotional skills, and setting a positive trajectory for school and life success. I'm going to share with you just five critical highlights of this research. First, investing in early childhood makes sense. We've learned that investments in young children, especially children at risk, children with special needs, the children who President Wayne was just talking about, can have a significant return on human capital expenditure, a return of at least \$7 for every dollar invested. James Heckman, the Nobel laureate in economics at the University of Chicago, tells us that early learning begets later learning and early success breeds later success. Success or failure in life at this stage lays the foundation for success or failure in school. Second, for children at risk, especially children living in poverty, early childhood programs are nothing less than a lifeline. One of the reasons for this is that 85 percent of neuro connections are formed in the first five years of life. The foundations of brain architecture are established through a continuous series of interactions in which environmental conditions and personal experiences modify genetics, they modify genetic predispositions. Third, it's more efficient, both biologically and economically, to get things right the first time rather than to try to fix them later. We learned that brain skills and health are built over time, but starting early is what counts. Neuroscientists tell us that the window of opportunity for development remains open for many years. But the cost of that remediation grow with increasing age. Fourth, positive relationships and meaningful adult/child interactions are essential for later learning, behavior, and health. For children to achieve their full genetic and neurological growth, they need nurturing relationships and responsive interactions. Babies can't do it alone. They need committed parents and well-trained caregivers and teachers to connect the resources of the world to their interests and their aptitudes. This is how their potential is realized and their future growth is ensured. And then finally, fifth, the evidence about the impact of positive early experiences is clear. Research on children in more than 70 different countries demonstrates that preschool enrollment can reduce the school achievement

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gap between poor and more affluent children. For every percentage point increase in preschool enrollment, the achievement gap between high- and low-income children declines. In other words, as more and more students participate in early childhood programs, our society, our world, grows and prospers. It's simply time to change the terms of this debate. It's time to act on what we know by investing upstreams on the youngest children in the state rather than placing so much attention and so many resources on the oldest students in our care. I'm not saying forget about high school. Rather, I'm saying let's start taking seriously what we know about the first eight years of life and begin to make significant resources available for these children. This is not a plea for more research. The research we have tells us what to do. The question is, are we going to do it right and do it well? By working together, we can break the cycle of poverty and lost potential and reap the benefits of greater fulfillment and greater productivity for our state and our nation. This is why I've come to Nebraska and why the Buffett Early Childhood Institute was created. My vision is that together we can make Nebraska the best place in the nation to be a baby. If we succeed at this goal, there's no telling how much we can accomplish. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Dr. Meisels. Any questions? Thank you again. Welcome. [LR182]

JEN GOETTEMOELLER: (Exhibit 3) Good morning. Thank you, Madam Chairman, members of the Education Committee. Thanks for the opportunity to speak to you today and for your leadership in this discussion. I know that the task you have before you is a difficult one, and we applaud your willingness to ask the tough questions and to listen. My name is Jen Goettemoeller, J-e-n G-o-e-t-t-e-m-o-e-l-l-e-r. I'm here representing First Five Nebraska. As you already know, our public schools are the envy of many states across the nation. I know from the data, but also because I'm a parent of a second-, a fifth-, and a seventh-grader, that Nebraska schools work very hard to give our kids a good, quality education. They aren't recognized enough, so I wanted you to know that we're grateful for the good work they're doing and we want to support their

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efforts to educate our children. Early childhood has a lot to offer. The evidence is out there, and it has been for some time, about what happens in the brain in the first five years. Dr. Meisels just touched on that. If we don't get the first five years right, everything that comes after in K-12 and postsecondary are going to be more expensive and more difficult. And the reason is because the architecture of our brains is largely built by the time we're three years old. Once it hardens and brain synapses are pruned at age 3, we can never go back and rebuild it. The best we can do later in K-12 if those neuro connections have not been made is try to accommodate for deficiencies. And we know that the achievement gap seen at age 18 is the same gap that's already there at age 3. Kindergarten teachers can tell you about that gap. They can tell you on the first day who is going to struggle and who is going to be successful. And we hear more and more superintendents who show us the value of early childhood with their own local data, data that shows early childhood is closing the achievement gap for very at-risk children in their school district. And we really need to pay attention to their data, because we've got a growing number of children birth to five across the state who are at risk of failing in school, which means schools are going to be challenged more and more to catch them up. Currently there are nearly 60,000 children ages birth to five in Nebraska who are at risk of failing in school. You've got a map in front of you with some of those numbers. This is a statewide issue, not just an urban issue. And actually, the growth is happening in rural Nebraska a bit faster than it is in the urban areas. We need to make it easier for schools and their partners to do this early childhood piece well. Most of them are trying with some level of success. Currently, 193 out of 249 school districts operate an early childhood program approved by the department. But there are too many barriers. So the other thing you have in front of you is a short list of specific items that could remove some of these barriers. I'm not going to touch on all of them for the sake of time, but I do want to hit a couple. First, we really should look at the calculation of the NDE preschool grants and possibly make some adjustments. This is particularly important for the growing number of schools that are unequalized. When an NDE preschool grant is calculated, the amount of calculated state aid is subtracted from that preschool grant amount. In the case of unequalized schools, even though they don't

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get that state aid, it's still calculated and it reduces the amount of the preschool grant that they would get. And if that state aid calculation that they would have received but don't is greater than the preschool grant amount, they won't get dollars for early childhood at all. Given that map you have in front of you, we really should help all of our school districts, equalized or not, offer early childhood programs. We should also consider giving schools with early childhood programs greater flexibility with the various funding sources they receive. There are some regulations that could be relaxed and others that could be aligned that would actually make it easier for schools to braid or blend their various funding sources, enabling them to finance the level of quality that has been proven to reduce or eliminate the achievement gap. We would also recommend that you set aside one-time funding to incentivize school districts to build high-quality early childhood facilities or remodel facilities they may already have. Schools cannot use their preschool grant funds for that sort of expense, and many have early childhood space issues that they cannot address. If we had, for example, \$10 million set aside each year that schools could leverage with a local match tying in accountability and some measurements, we could remove some of the barriers faced by many districts across the state. I just want to leave you with one other thought, and that is that public-private partnerships work. We're incredibly blessed by the number of private-sector individuals who are spending millions of dollars on early childhood because they know it is an investment that will truly change outcomes. We have a tremendous opportunity here to capitalize on what we know works. Thank you for your time. [LR182]

SENATOR SULLIVAN: Thank you, Jen. Are there questions? [LR182]

SENATOR HAAR: Yes. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Yes, thank you very much. In your opinion, can we continue to

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depend so heavily on private investment in these or do you think, as I do, that it has to be a greater part of just our regular funding? [LR182]

JEN GOETTEMOELLER: You know, some of the great things--in addition to the dollars, which are critically important--some of the great things that the private sector brings are also really a demand for accountability. They look at how the dollars are being spent and what they're getting for them. They evaluate things and look very closely, and then they move their dollars if they're not getting a good return. In answer to your question, we're not going to be able to do this piece well just on private funds. They have certainly put up some great investments, and we appreciate those. But I think that we can certainly make those go a lot further and build on what they already know, build on some of the evaluations and some of the data that they have from their investments and use that in our own to make sure that we're really getting what we should be getting, the most for all of those dollars. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

JEN GOETTEMOELLER: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

RICHARD REISER: (Exhibit 4) Good morning, Senator Sullivan and committee members. My name is Richard Reiser. I work for Werner Enterprises here in Omaha, and I am a member of the Nebraska Early Childhood Business Roundtable. Our organization supports making early childhood education a high priority in the state of Nebraska. We recognize the value of the early childhood development to the business community in terms of workforce development; higher employment rates; increased placement in good-paying, skilled jobs; higher median incomes; safer, more stable communities; and a good return on the investment made in education. Other benefits include reduced costs for special and remedial education, reduced costs for behavioral

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health, reduced costs for criminal justice, and better communities and a better state. We thank you very much for the several important steps the Legislature took this year for early childhood. And we encourage you to continue to prioritize early childhood education in the state of Nebraska. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Reiser. You heard the previous testifier talk about private-public partnerships with a focus on early childhood. [LR182]

RICHARD REISER: Yes. [LR182]

SENATOR SULLIVAN: What involvement do you see from the business community in that respect? [LR182]

RICHARD REISER: I think the business community will continue to speak out in favor of it. I think the private sector has done a great deal in funding to get this effort started. Personally, I think it's a matter of reallocation of the resources that we're spending on education. When you look at the data in terms of the return on investment or the growth rate during the first five years of life and the amount we spend on education during the first five years of life, it's minimal. We spend hardly any of our education dollars on the first five years, we spend a lot as the children get older. And the rate of learning is not as high in later years as it is in the first five years. So I think it's a matter of fishing where the fish are--maybe not where you've always fished--but where the fish locator says they're all over here, this is where the fish are, that's where we need to be spending our money. [LR182]

SENATOR SULLIVAN: Thank you. Senator Cook. [LR182]

SENATOR COOK: Thank you, Madam Chair. And thank you, Mr. Reiser, for joining us today. I have a question about the Werner Enterprises. [LR182]

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RICHARD REISER: I'm sorry? [LR182]

SENATOR COOK: Werner... [LR182]

RICHARD REISER: Okay, okay. [LR182]

SENATOR COOK: ...with Werner Enterprises and the other people that are represented on the Early Childhood Business Roundtable. Can you tell me whether or not they provide on-site childcare? Any of those organizations for their employees? [LR182]

RICHARD REISER: I can tell you that we do not at Werner Enterprises. We've looked at that several times and will continue to do so. We haven't done it yet. I would...I'm certain that some of those organizations do, but I can't sit here and tell you which ones. I know First National Bank, for example, has an early childhood school over here, and I think they're on the list; probably Union Pacific. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

RICHARD REISER: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

STEPHEN GRIZZLE: (Exhibit 5) Good morning. Thank you, Chairman Sullivan and the rest of the Senators. My name is Stephen Grizzle, S-t-e-p-h-e-n, Grizzle, G-r-i-z-z-l-e. This is my fifth year as a superintendent. I rely on my colleagues...surrounding colleagues for advice. I also rely on the advice from NDE and other entities as I continue to learn how to be a superintendent in a small district. I want to start off by saying I'm not an economist and I'm not an expert on state aid, and I really appreciate the task that you guys have set before yourselves to look at those as we go through in the future. Each legislative session it seems that we are always looking at sales tax and

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income tax revenues and are wondering if we're going to be able to fully fund the state aid formula. Each legislative session, it seems like we're looking and watching what's going to happen to the TEEOSA formula. Personally, I do not try and guess what our state aid is going to be. I simply take what is certified, and then I try and make that work within our budget the best that I can. However, I do take advantage of writing a poverty plan as we are currently a district that hovers around the 50 percent free and reduced rate. We try and maximize our instructional time each year. But most importantly, I try and make sure all of our CDC and our NSSRS reports are as accurate as possible. For Pawnee City, our state aid has been fairly steady over the last few years; and I'm happy to say that. However, my patrons are like many across the state that feel that the burden of education falls squarely on them. In my five years at Pawnee City, our district valuation when I started was \$151 million, and that's not very much. This past year, our valuation has increased to \$243 million. So when I began and from today, our property valuation has increased almost 61 percent in those five years. And, likewise, our property tax request has increased 63 percent in the last five years, a \$400,000 increase this past year alone. State aid for us represents about 26 percent of our revenue. Our property tax revenue has increased to almost 48 percent of our resources for this coming budget. Our tax base in Pawnee City is a dryland crop and pasture district. We have a good business base for our community of 1,000 people. We have an industry leader, C.J. Foods, which is a factory that employs almost 170 people. A local hospital employs around 100. And we have a decent retail center in Pawnee City for a community our size, and I list several of them for you. Our residential area is a typical, small, rural community. And our school employs 52 employees which are 30 certified staff and 30 full- and part-time employees and 2 administrators. I'd like to share a couple of thoughts about our current state aid. The formula is very complex--we know that--and it seems there are a lot of variables that can be tweaked from year to year. As I said before, I don't try and guess what our state aid is going to be, I just take the numbers that's certified, and I make it work. However, I do notice that it seems like our state aid is based solely on income tax and sales tax, and that seems like a very volatile and inconsistent source of revenue. Some districts are at their levy lids and some are

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far below the levy lids. The larger urban districts are at their resource limits, but their curricular offerings are beyond the core educational programming that many rural smaller districts are able to provide, such as my own. I'm proud of our district curriculum and our offerings, but they pale in comparison to our larger counterparts. As we look to the future, if the Legislature is considering some changes to the state aid system, it might want to consider some wholesale changes. The funding sources for state aid, in my opinion--and keep in mind I'm not an economist--but it ought to be somewhat like an investment portfolio, something that is...has a little bit of high-risk and a little bit of low-risk type areas. What might be the low-risk stable resource? That could be our property taxes. Would it be possible to take a portion of each district's property valuation and use toward the state aid formula as well? And the other portion would be the state taxes, the income taxes and sales tax. Another point I'd like to throw out there to consider is that I think state aid should focus on funding for the core educational programming and the supporting services for the core, things like facilities and transportation and the curricular offerings. This would be consistent with the statement that I read from an OpenSky Policy Institute research which stated that ideally the state should fund about 45 percent of the educational system. And currently, Nebraska is about 30 percent. Now OpenSky also estimated that would cost an extra \$513 million to fund that to 45 percent. So I'm not here to say where that money should come from. However, I think we need to have more than just income tax and sales tax as our base because I feel like that's pretty volatile. A big question comes, what is the core? Well, the core, to me, would include things like Rule 10, special education, transportation, ELL, poverty, and also considerations for facilities and maintenance. If a portion of local property taxes were going to the state to fully fund state aid and if the state aid was focused on the core, that would leave the remaining property tax authority to the local district to fund the remaining needs of the district. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Grizzle. Another questions? Senator Kolowski.
[LR182]

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SENATOR KOLOWSKI: Thank you, Madam Chair. Mr. Grizzle, what's your current levy? Could you tell us what that is, please? [LR182]

STEPHEN GRIZZLE: The current levy right now for general fund is 96.6 cents and our special building fund is at 6 cents. [LR182]

SENATOR KOLOWSKI: Thank you very much. [LR182]

SENATOR SULLIVAN: Senator. [LR182]

SENATOR DAVIS: Thank you, Mr. Grizzle, for coming. You heard this discussion about more funding for pre-K. Is that something that is going to be realistic in your district? [LR182]

STEPHEN GRIZZLE: We currently do have a preschool program. We're in our fifth year of the preschool. We are outside of the grant right now, so we're operating solely on our own. [LR182]

SENATOR DAVIS: Will you have support from your property taxpayers for if you needed more money for that particular program? [LR182]

STEPHEN GRIZZLE: I believe we would. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Grizzle. Welcome. [LR182]

MIKE BRODERSEN: (Exhibit 6) Thank you. Good day, Senator Sullivan and members of the committee. My name is Mike Brodersen, B-r-o-d-e-r-s-e-n. I'm a member of the Plattsmouth School Board, and I am a teacher with Bellevue Public Schools. Today I'm

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speaking as an individual to you. First, I want to thank you for your efforts to improve the state aid formula and for taking time to hear what Nebraskans have to say about funding our schools. As a teacher, I see firsthand the effect budget cuts have in our classrooms. Larger class sizes are not beneficial to student learning. Adequate classroom resources from books and paper to technology and teacher aides, most importantly, are essential if we are to provide our students with a quality education. I appreciate this committee and also that you have led the way as the Legislature increased state aid this last session. Yet, as you know, districts are still receiving less state aid than they did in 2010. Nebraska is 49th in the nation in state support for public schools. State aid has not kept pace with the cost of operating the schools. And as a school board member I assure you, it's putting more pressure on property taxes. The state has a \$600 million Cash Reserve Fund, and I believe some of that reserve should be used to increase state aid. It's the right thing to do for our students and our schools and, frankly, our property taxpayers as well. Senator Sullivan, I know that you are a member of the Tax Modernization Committee and that you're hearing a lot about this. I also want to commend this committee for its decision to have a year delay prior to any formula changes. I suggest you make that an ongoing requirement and consider setting funding levels a year in advance of state aid distribution. That would be of great help to local school districts such as mine as they prepare budgets. Dedicating a part of the state's Cash Reserve Fund to create an education trust fund could also help with budget planning as it could be tapped during economic downturns to smooth out funding for schools. As you review the formula and funding for schools, please also consider how we can improve instruction. I believe it is important to provide and fund a program for mentoring new teachers. I also believe increasing the amount of lottery proceeds used for the teacher and preservice teacher loan forgiveness program would also lead to improved instruction. I know there's also room for improvement in our schools, and I also know we have very good schools in Nebraska with dedicated teachers and staff. We also have school board members and state lawmakers who care a great deal about providing our children with the best education we can. Our public schools are central to our economic prosperity and to our state and country's future. And properly funding our

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schools means that there must be this partnership between our local and state governments. Thank you for your work, and I'd be happy to answer any questions. [LR182]

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

MIKE BRODERSEN: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

ANGELO PASSARELLI: (Exhibit 7) Thank you. Senator Sullivan, good morning, and members of the Education Committee. My name is Angelo Passarelli, A-n-g-e-l-o P-a-s-s-a-r-e-l-l-i. I represent Millard Public Schools. Our district serves 23,000 students, 1,700 teachers, 87 administrators. Millard has grown by 1,200 students since the 2010-11 school year. Even with that growth, we have 26 fewer teachers today and 3 fewer administrators than we did in '10-11. Our '10-11 general fund budget was \$214 million. We just passed a budget of a little over \$213 million. We are slowly getting our feet back under us. We are doing more with less. State aid in '10-11 was \$82.7 million. This year, it's \$80.7 million--\$2 million less than we were in that year even with the additional increases in instructional time and teacher ed that were put back into the formula last year. I'm here to talk about the instructional time and teacher ed allowances. We think they're vital components of any state aid formula that you will consider. In our view, they represent real, accountable expenses in our budget, and the success we have as a district is due, in large part, to these allowances. Out of 1,700 teachers, 68 percent of that staff have a master's degree. We actively recruit and we try really hard to keep those experienced teachers with master's degrees. That number is important to us for many reasons, but most of all because we have 1,800 students enrolled in advanced placement courses; 750 of those students enrolled in dual-enrollment courses with UNO and Metro Community College. We have built an AP

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culture in our district where students want to challenge themselves and take a rigorous curriculum. Fifty-four percent of our graduating students have attempted at least one AP class in their four-year career. Millard accounts for about 32 percent of all AP tests taken in the state of Nebraska even though we represent about 8 percent of the population. Our dual-enrollment numbers have grown every year. This is part of our strategic plan, and it is working at levels that make us proud. The allowances for teacher education and instructional time are vital to the AP culture that we have built. Instructional time is a valued commodity in Millard. We have built 180 days into our schedule through negotiated contracts over many years. When we gave a 5 percent raise, we asked for another day. The next year we gave a 5 percent raise, we asked for another day. That's how we've built those contracts over years. We have added time to our elementary program and our middle school schedules because we kept hearing from our staff, we can't teach the curriculum you want us to teach in that amount of time. We value instructional time in our district, and we hold our professional staff accountable to use that time to increase instructional achievement and student achievement. Research is clear: additional time on task, better prepared teachers, are keys in student achievement. Both instructional time and teacher education allowances are available to every district in the state. Any school district simply has to make a commitment, like we did, to improve their school and add instructional days and hire highly educated staff. I would ask you to keep our necessarily complex formula intact and leave allowances for teacher education and instructional time in there. I have provided you with some of the research and support for instructional time and some reports that we have given to our board of education on advanced placement and dual-enrollment programs. And I'd be happy to answer any questions you might have.
[LR182]

SENATOR SULLIVAN: Thank you, Mr. Passarelli. Any questions? Senator Kolowski.
[LR182]

SENATOR KOLOWSKI: Mr. Passarelli, thank you very much for being here this

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morning. Could you relate to us the projections on additional growth in your district, what number of students potentially you have with the open land? [LR182]

ANGELO PASSARELLI: Yeah. We still have some available land. We're getting really close to the top of that list at 23,000 students. But our recent five-year projections put us in the neighborhood of 23,500 to 24,000. [LR182]

SENATOR KOLOWSKI: Thank you. [LR182]

SENATOR SULLIVAN: Senator Haar. [LR182]

SENATOR HAAR: Yes. Thank you very much for being here. But talk a little bit...do you have any opinions on the whole concept of the lids we have in place now on spending ability? [LR182]

ANGELO PASSARELLI: I certainly do. The lids were put in place when state aid was on automatic pilot back in the good days when we basically figured the needs of all of our school districts and state aid was set on that number. Since we no longer do it that way, I think it's time for the lids...I think it's time for our boards of education to have authority to levy what they think is necessary, especially as we see decreases in state aid every year. [LR182]

SENATOR SULLIVAN: Senator. [LR182]

SENATOR KOLOWSKI: Also, what is your levy at this time, please? [LR182]

ANGELO PASSARELLI: A dollar and 23 cents. And that includes a recent bond issue that we passed of 2 cents. [LR182]

SENATOR KOLOWSKI: Thank you. [LR182]

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SENATOR SULLIVAN: Thank you for your testimony. Senator Davis. [LR182]

SENATOR DAVIS: We've tossed around a little bit the idea of a local option sales tax or a local option income tax. Just for discussion purposes, I just wondered if you had an opinion on that. [LR182]

ANGELO PASSARELLI: Yeah. The only thing that worries me about that kind of a funding formula is the stability of that, up years, down years. And certainly in a metropolitan area, I wonder how that would work in our...with our rural areas. [LR182]

SENATOR DAVIS: Of course, you know we're in the same bind at the state, which is how we got into the situation we're in. [LR182]

ANGELO PASSARELLI: Okay. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. Welcome. [LR182]

JIM STOLZE: Madam Chairman, Senators, thank you very much for holding this, and good morning. My name is Jim Stolze, S-t-o-l-z-e. I'm here as a private citizen. I have two daughters that one is already through high school and one is a senior in high school. They have spent most of their time in private school, however, my youngest daughter will spend more than three years in public schools. And regarding our state's educational spending, instead of finding new ways to spend more money on education with no accountability and more bureaucracy, why don't we focus on new ways to foster competition and improve education across the board? What I'm referring to are these so-called new ideas that spend more local and state tax dollars to programs where there are no consequences for failure, and that does include TEEOSA. It is time to

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create more competition between the schools. And the way to do that is what 17 other states have done, that is to provide some sort of funding on means testing to attend private schools. What do we have to lose? Everything we've tried in this country in the past 30 years has failed. We continue to lose ground internationally. The United States now is nearly...ranks 20th internationally in public school test scores. We are going downhill. It's going to continue to hurt the labor force and continue to hurt our employers as we move forward. We need to have the backbone to try something bold and not worry about offending the status quo. So, please, let's do what is right. I thank you for allowing me to testify, and I'd be happy to answer any questions. [LR182]

SENATOR SULLIVAN: Thank you for your comments. Thank you. [LR182]

JIM STOLZE: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

GALEN BOLDT: (Exhibit 8) Thank you. Thank you, Senator Sullivan, for the opportunity to testify. Galen Boldt, G-a-l-e-n B-o-l-d-t, I am the superintendent at Wahoo Public Schools. I'm here today representing STANCE, Schools Taking Action for Nebraska Children's Education. I think that there's been a member of STANCE come to several of the other hearings. You'll notice that the handouts that I have are in black and white. That's due to the large reduction in state aid that Wahoo...not...just a joke. Just a joke. (Laughter) I needed a little levity here. The schools that are members of STANCE are pretty varied. You'll go this afternoon to Crete, and I'm pretty sure Kyle will have colored copies due to his large increase in state aid. I'm here to simply say that the group that is newly formed, we really believe in the advocacy for good policy. We really think that that's one of the huge charges in front of you. I was active in the State Activities Association for many years. And I always marvel going to the places where we would make new rules, because if you didn't get into the playoffs the year before, somebody had a proposal to change that playoff system that would get you into the playoff the next

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year. I'm pretty sure Millard did that several times. Rick? No? That's not the way good policy operates, obviously. I think it's only fate that put me behind Al in testimony, because on two of the pieces of bullets that you see on our statements there, instructional time and teacher education, are two things that we would believe that you need to ask yourself the question as the Education Committee, what are we trying to do by making allotments for instructional time and for teacher education? I will tell you that the instructional time, that's been gamed over the years in many ways. And the notion that putting in more time, I think there is some research out there that would say adding two minutes at the end of the day or four or whatever that is, I believe that the way that we spend the use of our time makes a much more impact on the value for education and what the achievement level comes from. The notion that Millard is a world-class education, there's no doubt students in Millard are getting a world-class education. In terms of good policy, though, is that a local choice or is that something that represents TEEOSA that is an educational equal opportunity for students across Nebraska? I think those are the kinds of questions that the Education Committee needs to spend good time in thinking about. The notion of teacher education, you know, at one time I think maybe there could have been a case stated for people that get master's degrees. And I'm certainly in no way putting that down. I got the opportunity to spend some time with Tammy in her office and with some of her staff members back when we started TEEOSA, and those original discussions came around that that allotment for teacher education, I believe, came apart because of Wayne State. And being located in the community of Wayne, they all of a sudden got a lot more teachers with master's degrees. So they came to the committee and said, can we have an allotment, because, I mean, because we're sitting here and the college...we have to pay this much more for our teaching staff. I would simply ask the committee to think about, is that the way good policy gets made that's stayed with us since that time? So the notion of what's good policy, our STANCE organization, that's what we want to do as superintendents. We're a varied group and, as I say, the notion of equalization, absolutely, there are great reasons to provide an allowance or an adjustment. Those cases have been laid out for you in much regard with growth. With early childhood education, there's no doubt there

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are wonderful opportunities out there that you need to be considering. But particularly with instructional time and teacher education, we'd ask you to think about why would we allow this in terms of a TEEOSA. Thank you. Questions? [LR182]

SENATOR SULLIVAN: Thank you, Mr. Boldt. Questions? Senator Davis. [LR182]

SENATOR DAVIS: Thank you, Mr. Boldt. [LR182]

GALEN BOLDT: Yes. [LR182]

SENATOR DAVIS: The second to last bullet, you talk about the averaging adjustment. [LR182]

GALEN BOLDT: Yes. [LR182]

SENATOR DAVIS: And you make a reference to a copy that was provided for each senator. Is that something that we've already received or is that something we're going to get? [LR182]

GALEN BOLDT: You know, that's the same handout, I believe, that Mike Lucas gave you. And I believe he provided that opportunity or that handout prior. [LR182]

SENATOR DAVIS: It's probably in my files here somewhere. [LR182]

GALEN BOLDT: Yes, yes. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

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GALEN BOLDT: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

FRANK HARWOOD: (Exhibit 9) My name is Frank Harwood, H-a-r-w-o-o-d, and I'm the superintendent for Bellevue Public Schools. Senator Sullivan and members of the Education Committee, thank you for taking time to provide us with this opportunity to give input to the committee. As I am sure you know, there are 249 different stories to consider when determining the best way to fund schools. Taking the time to listen to these stories is essential to ensure the future success of our state by providing for education for our children. Thank you. The premise for the current school funding formula is very simple: needs minus resources equals equalization aid. I use the term equalization aid to differentiate from state aid. Every district receives funding from the state in some form. At the simplest level, the formula makes perfect sense. As is usually the case, though, the devil is in the details. The formula to calculate needs and resources impacts each of the 249 districts differently, and these differences are at the heart of most of the disagreement about the formula. Additionally, changes to the needs formula to control state spending has had disproportionate impacts on districts and distorts the original purpose of the formula. This is especially true for the allowances that are part of the need formula. One allowance, and it is probably good that I followed Galen, that I'd like to draw your attention to is the averaging adjustment. As is the case with every district, Bellevue has its own circumstances that impacts school funding. In relation to student population, Bellevue is a very property-poor district. We are in the bottom 5 percent of districts across the state. Being property value poor has forced Bellevue Public Schools to have a high tax levy, set at a maximum of \$1.05 for the general fund with no room in the levy for the building and site fund. Bellevue is also among the lowest spending districts on a per-pupil basis. We are in the bottom 5 percent in this category as well. This means that Bellevue is considered to be a high-taxing, low-spending district. Because the needs formula uses historical per-pupil spending as a component, Bellevue will continue to be high taxing, low spending, while

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other districts will be able to increase their calculated need based on their ability to spend more. Yes, this is why many people think TEEOSA is confusing. The averaging adjustment is a mechanism to recognize and correct for districts that are trapped in the formula due to lack of resources. Since we know that each district will be impacted differently, I think we have to look back at the original purpose for state aid. What we need is a sound policy for calculating need and equitable process for determining resources. As long as historical per-pupil spending is part of the calculation, the averaging adjustment is a critical component of being fair for property-poor districts. An additional point that I would like to bring up is how districts that are part of a Learning Community can be doubly impacted by change to the needs calculation. Not only must we be concerned with how our needs are matched with our own resources, it is important how our needs compare with the needs of other districts in the Learning Community. Since Learning Community resources are distributed based on a percentage of need, changes to the formula impact Learning Community districts twice. Given the fact that needs of the Learning Community districts are not fully funded based on available resources, this significantly multiplies the impact of proposed changes. The committee has talked about significant changes to both the needs and resource calculations. With the serious impact on districts that can come from changes to the formula, it is imperative that any proposed change be adequately modeled and that the models are made publicly available. This is the only way for districts to evaluate the benefits and consequences of a proposed policy and be an informed part of the debate. Again, thank you for your service and this opportunity to provide input. We look forward to more discussion as we work to provide a bright future for Nebraska. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Harwood. Questions? Senator Davis. [LR182]

SENATOR DAVIS: Thank you, Mr. Harwood. Just a couple of questions. Have you ever attempted a levy override in Bellevue? [LR182]

FRANK HARWOOD: We have not. [LR182]

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SENATOR DAVIS: You've heard us talk a little bit about sales...local sales...local option sales tax and maybe an income tax. Do you have any opinion on those? [LR182]

FRANK HARWOOD: You know, and actually, that's one of the reasons that I talk...that modeling is so important. I don't know exactly what the impact would be. In Bellevue, again, because we...one of the reasons we're property-tax poor is because of the Air Force base. We're going to have a large number of people that are not residents of the state of Nebraska based on being active duty military. And that would have an impact on our overall income tax. And because of tax-free services available through the base, it may also disproportionately decrease our sales tax. So that's most of the reason why I think the model is important. If we saw what the impacts could be, then I think we could be part of that debate. I don't know that it's a bad thing, I don't know that it's a good thing. So I think that's why the modeling is important. [LR182]

SENATOR DAVIS: What about impact aid? How does that affect you? [LR182]

FRANK HARWOOD: It's impacted us very well in the past. Our levy is a total of \$1.05. We don't have any bonded indebtedness mostly because impact aid has been used to build buildings. Our last bond issue was in 1977. Impact aid is going to take a significant change starting next year. Because of the growth of the rest of the district, the percentage of federally impacted students has decreased, so we're below the 30 percent threshold. This year is our hold harmless year for highly impacted status. We will always receive some impact aid based on serving federally connected students, but it'll go from about, you know, highs in the past of \$15 million-plus to about \$2 million. So the biggest difference in that will be, is what we have to do in the future for our buildings. Currently, we don't have any levy going into the building and site fund, so now that's a savings account. There's no future revenue, and we'll have to look at how we deal with that in the future. [LR182]

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SENATOR DAVIS: And then the last question. You've heard us talk about the \$1.05. [LR182]

FRANK HARWOOD: Uh-huh. [LR182]

SENATOR DAVIS: Do you have any opinion on changing that? [LR182]

FRANK HARWOOD: The issue that we have with that is, it will be the same issue that comes up when we start talking about bond issues because we're a property-poor value per district. For example, Papillion which is right down the street and has just a few more students than ours, our taxpayers, for 1 cent of increase, would have to pay twice the property tax or actually, the...in order to get the same amount of dollars, we would have to pay twice the property tax even though we have about the same number of students, so. I think that would disproportionately impact districts, so. [LR182]

SENATOR DAVIS: I think that already does take place. [LR182]

FRANK HARWOOD: Yeah. Yeah, it does. [LR182]

SENATOR DAVIS: Thank you. [LR182]

FRANK HARWOOD: All right. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. Welcome. [LR182]

DOUG LEWIS: (Exhibit 10) Thank you. My name is Doug Lewis, D-o-u-g L-e-w-i-s. I'm the assistant superintendent for the Papillion-La Vista school district. Senator Sullivan, members of the committee, thank you for taking time to discuss this critical issue. Though each of the 11 Learning Community school districts have slightly different priorities and perspectives, we share many commonalities. Our 11 school districts

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collectively enroll almost 40 percent of the state's total K-12 population. Our 11 school districts are also increasingly diverse, both ethnically and socioeconomically. The percentage of students who qualify for free and reduced lunch in the Learning Community is approaching 50 percent. Perhaps most importantly, our districts are growing. Papillion-La Vista already is the state's fourth largest school district with almost 11,000 students; we recently added over 400 students this year alone. In spite of these significant needs and exponential growth, the revenue for our school districts has remained relatively flat. Nebraska has seen modest growth in state aid and for that we are grateful. Unlike some parts of the state, however, property values in the metropolitan area--and hence property taxes to support our schools--has stagnated the last several years with growth averaging around 1 percent per year in the two-county area. Compounding the issue is the fact that almost all of the Learning Community schools are taxing our residents at a maximum \$1.05. Stated differently, our enrollments are climbing, our student needs are becoming more complex; yet our revenue has remained largely flat, and we have relatively no ability to generate additional dollars. The Learning Community has exacerbated the problem by distributing fewer resources to the 11 school districts. According to a recent analysis by the Omaha World-Herald, the state has saved a total of \$12.25 million over the past four years by treating the Learning Community as a single district rather than allocating state aid individually to school districts. This \$10 million could have been used to maintain class sizes, maintain and improve facilities, and provide instructional programs. We're not here to debate the common levy, but the Education Committee needs to understand that the Learning Community distribution formula, as currently written, simply is not working. Not only is the common levy producing less state aid for our schools than would be the case without it, it is arguably sending precious dollars in the wrong direction. As an example, the Papillion-La Vista school district has lost well over \$1 million in potential funding over the last four years. This year alone, Papillion-La Vista lost over \$450,000 in potential funding. As you can see, now is the time to update our state aid formula. We don't necessarily believe wholesale changes are necessary to TEEOSA. However, we must assure that our formula recognizes the uniqueness of the Learning Community

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funding model, the challenges of the fast-growing districts such as Papillion-La Vista, and districts who are already asking their taxpayers to pay the maximum amount. In closing, we thank the committee again for their willingness to review our current state aid formula. And we would be happy to be part of that conversation to improve the formula moving forward. I'd be happy to answer any questions. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Lewis. Questions? Thank you. Welcome.
[LR182]

STEVE NELSON: Good morning, Senator Sullivan. My name is Steve Nelson. I'm a farmer from Axtell where I farm with my son and raise irrigated corn, soybeans, and hybrid seed corn. I currently serve as president of the Nebraska Farm Bureau Federation. I might also add that I served on the school board of Axtell Community Schools. And I'm here today on behalf of Nebraska Farm Bureau to share some thoughts that our members have regarding the current structure of the TEEOSA formula and also to offer a few proposals that would make the system financing K-12 education more equitable from a farmer and rancher perspective. We'd like to thank the members of the committee for organizing these public hearings around the state on this topic as the funding and provision of public education is one of the state's greatest obligations to ensuring a prosperous future. In particular, I'd like to thank the committee for traveling to the more outstate parts of Nebraska, western Nebraska, last week in order to seek input and gain diverse perspectives, including those of agricultural property owners. Let me start by outlining why Farm Bureau takes an interest in school finance formula in the first place. Our members largely share the same goals as the majority of Nebraskans in that they want to make sure that children across the state have access to equality in education. Secondly, roughly two-thirds of state and local funding for school districts is provided by property tax, and most of the property taxes paid in rural districts are paid by agricultural landowners. Therefore, changes in how state aid to schools is calculated directly affects the bottom line of agricultural producers through the amount of property tax they ultimately pay to fund their local schools. Farm Bureau policy states the goals

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of funding public education should be to provide an equal opportunity for children to get a basic education, to more equitably distribute the burden of providing the opportunity, and provide uniform and stable resources. We commend the quality of the K-12 education in Nebraska. However, Farm Bureau strongly believes that the funding of our K-12 system is no longer equitable to the agricultural community. In short, the valuation base underlying school finance formula has changed so drastically over the past decade with the rise of ag lands and the residential values staying comparably flat, that a disproportionate share of funding of K-12 education has shifted onto agricultural landowners. This has resulted in a problem that is threefold. In many school districts, ag land now accounts for well over 60 percent of the school districts' valuation base. Ag land valuations have risen by more than 80 percent since 2008, and agricultural landowners now pay a quarter of the property tax collected statewide. As ag real estate properties continue to rise, so too will the property taxes collected on ag land by school districts. So agricultural landowners who constitute less than 3 percent of the state's population are directly being over relied upon to fund schools in rural districts. This disparity also shows up in a disconnect at the local level on school district bond issues and levy overrides. Oftentimes landowners are outvoted where a greater majority of the population approves the measure but the tax falls more heavily on farmers and ranchers. The TEEOSA formula relies heavily on property values as a measurement of the local district's ability to pay resulting in many school districts appearing to be sufficiently resource wealthy for the purposes of calculating state aid. Consequently, the number of school districts across the state who no longer receive equalization aid has risen to 114, many of them rural. So not only are farmers and ranchers being asked to pick up the tab for the state for funding their own local school districts through property taxes, but in many cases income tax and sales tax that they pay into the system are no longer returning to their districts in the form of equalization aid. Our members have difficulty in reconciling this arrangement given that the benefits farmers derive from funding education are no greater than any other class of property owner in the state, yet they are consistently asked to contribute more toward funding education. Perhaps the following figures can help to put this imbalance into perspective. By our calculation,

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agricultural landowners will likely pay upwards of \$600 million toward funding school districts in the fiscal year 2013. In comparison, the state currently provides just over \$900 million per year through the TEEOSA formula toward the same cause. But, again, many rural districts where farmers and ranchers live and send their children to school no longer receive any of the \$900 million distributed as equalization aid. As the committee moves forward in searching for solutions, we would like to offer the following for your consideration. Our policy supports the committee's proposals to provide school districts the opportunity to collect an income tax, providing this additional revenue generating capacity is reflected in a district's local capacity to pay and used to offset the school district's reliance on property taxes. Farm Bureau has long maintained an income tax is a tax on economic success whereas property taxes and wealth valuations do not directly translate into the ability to pay for landowners unless, of course, the land is sold, which is not an option in order to continue business. In a similar vein, our policy also supports that both property and income tax wealth be taken into account in determining a district's measurement of wealth. One means to accomplish this might be to reinstate the provision that 20 percent of the income taxes collected in a district return to the district and be held accountable in the state aid formula. Finally, we encourage the committee to closely examine the components that go into measuring a school district's local capacity to pay on the resource side of the formula as well as the model used in arriving at the final calculations. Real property is by no means the only measure of wealth available, especially in this day and age of capital assets are being increasingly mobile. So in closing, I would strongly encourage the committee to identify more equitable ways to balance the local burden of funding schools. Again, I would like to thank the committee for all of your hard work. And I would answer any questions that you have or attempt to answer any questions that you have at this time. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Nelson. Questions for Steve? Senator Seiler.
[LR182]

SENATOR SEILER: Yes, Mr. Nelson. Mr. Nelson, the collection of the 20 percent...you

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live in Axtell school district. If you bought a John Deere tractor in Minden, how do we track that back to your school district? [LR182]

STEVE NELSON: Are you asking if that were...if we were...a way to do that in the future... [LR182]

SENATOR SEILER: Yes. Right. [LR182]

STEVE NELSON: ...how would we do that? Well, I think that...I mean, I'm not saying that it wouldn't be an additional burden to account for that, but we would have to account for that just like we would do a number of other things that we do when certain things happen within a district. [LR182]

SENATOR SEILER: Thank you. [LR182]

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

SENATOR DAVIS: I'm just...Mr. Nelson, just to clarify then a little bit. Your Farm Bureau is sort of supporting a local option sales tax or a local option income tax? [LR182]

STEVE NELSON: Our policy supports either of those as part of a solution. [LR182]

SENATOR DAVIS: Thank you. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

STEVE NELSON: Thank you, Senators. [LR182]

MARK EVANS: (Exhibit 11) Good morning, Madam Chair, Education Committee. Mark Evans, M-a-r-k E-v-a-n-s, superintendent of Omaha Public Schools. I am honored and

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privileged to be superintendent of Omaha Public Schools representing 51,000 great young people. I want to thank the committee for being here today, and thank you because I'm familiar with other states where senators don't go out and ask questions, senators don't go out and listen to constituents. And it's quite delightful to me to see the interest that this committee has in not only my opinion, but the opinion of the many people who are sitting behind me. So thank you for that. I appreciate that, and I can share with you that it doesn't happen that way in every other state. So, clearly, you have a interest in knowing what the community, what the public, what the internal education community also feels, so I value that. In relationship to the delivery and finance piece that we're talking about today, some of the pieces that I've looked at in relationship to OPS and OPS's financial needs as well as student needs, particularly student needs, some of the pieces we'd point out that have come to our attention is that we need to continue to look at the area of special ed and the funding that goes with that outside of TEEOSA. We'd also like to have the committee continue to look at the state equalization aid and the general concept of providing equalization for our different types of students that come in with special needs or other special circumstances that make it more appropriate through the equalization aid. We'd also like to echo some of the comment and testimony you heard earlier today in reference to the expansion of early childhood support including, from our perspective, increasing the proportion of state recognition in the calculation of the formula from .6 to .8, weighting on early childhood. We'd also like the committee to consider that in the area of early childhood, our district like many districts, as we expand that program--I know you heard from President Wayne earlier that we expanded 60 students just this last year--facilities are going to be a critical piece of that too. And we recognize the needs that will come from that facility expansion. We'd also like the committee to continue to keep transportation as one of the considerations in cost. We'd like to continue to look at distance education, telecommunications, and how the formula works with that. And obviously from our perspective, LEP and all of our English Language Learners, poverty...poverty issues need to be continued in the formula in order for not just our students, but students across the state. And we've heard from multiple presenters today who talked about growing populations of ELL

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students and also the free and reduced number that's gone up as well. We'd also like for the committee to consider providing additional state funding for students involved in tutorial or credit recovery programs, another way that we can help young people meet those expectations and needs down the road. And finally, in recognition of costs related to opening new schools, we'd like the committee to consider costs related to requiring additional staffing in nonteaching areas. And we've opened two new schools and we appreciated that the formula did take into account some of those nonteaching areas, and we'd like for that to be considered in the future. And in closing, just thanks for all you're doing. And I don't consider myself an expert on TEEOSA at this juncture. I will tell you that school finance formulas, wherever you're at, are pretty complex, but I think TEEOSA may have taken the cake. I have been mesmerized at the complexity of the TEEOSA formula. And thank heavens I've got some staff that know a heck of a lot more about it than I do, and they've been advising me very well. So I appreciate you being here, and I appreciate the support for OPS and 51,000 young people. And I hope that you've gotten a sense from President Wayne of our direction and our desire not only to be accountable and to make a difference...I know one of our speakers mentioned not moving that direction. We believe in accountability. We believe we should have targets, we should have goals, and we're working diligently to put those in place in OPS. So thanks for your time today, and I'll stand for questions of what maybe I can answer.
[LR182]

SENATOR SULLIVAN: Thank you, Dr. Evans. Questions? I guess we'll let you off easy. Thank you very much. [LR182]

MARK EVANS: Thank you, Senator. [LR182]

KEVIN RILEY: (Exhibit 12) My name is Kevin Riley, K-e-v-i-n R-i-l-e-y, superintendent of the Gretna Schools. Six years ago, Senator Raikes asked to meet Roger Breed, then superintendent of the Elkhorn Schools, Terry Haack from Bennington, and myself, to meet at the Flying J in Gretna. The common levy had not yet gone into effect and after

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reviewing various models, he was very concerned about the growing school districts in the two-county area. He told us adjustments had to be made to the TEEOSA formula for the common levy to work. The student growth and new school adjustments were born. I spoke numerous times to Senator Raikes over the years. Another concern he expressed to me was the struggle of the low-spending--by GFOE indicators--high tax levy school districts in the state. Regardless of the state aid formula--and we've had a few--if you start as a low-spending district, you will always remain a low-spending district. He believed this needed to be addressed in the formula, thus the averaging adjustment. Understand, it is an averaging adjustment as you mathematically cannot bring the low-spending districts up to the state average of GFOE spending. The argument against the averaging adjustment is the economy of scale. I agree to a point; in fact, I stated this. The argument ends for me when there is a levy difference of 10 cents to 60 cents between school districts on the general fund. At that point, the economy of scale argument is no longer valid. Gretna is a school district of 70 square miles. If you look at an aerial photograph of our district, you'll be astounded. The vast majority is ag land; very little is residential. Our general fund levy is \$1.05. If you add in our bonded indebtedness levy of 31.5 cents, we're at \$1.365. That's what our ag land people and residents are paying. In the past ten years we've gone from just over 1,700 students to just under 3,600. That's 103 percent growth in a decade. In regard to GFOE, we rank sixth from the bottom in this state. Only five school districts in the state spend less per student than we do. It is difficult to explain to our community why we have to tax at the highest rate, yet spend so little per student. You've heard today that there are two equalization aid formulas, TEEOSA and the Learning Community common levy spin. If the common levy continues as a policy of this state, I ask you to continue to recognize the unique challenges in Sarpy and Douglas County that the common levy forces upon us. The education of every child in this state is of primary concern. It doesn't matter if a school district has 66 students or 50,000, every child matters. Some districts need a lot of help, some not so much. You have to determine the balance between all these issues and what we can afford. Thank you for taking the time to listen to us. Thank you for taking on this challenge. I wish you well. [LR182]

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

SENATOR DAVIS: Thank you, Dr. Riley. Can you just elaborate a little bit on your comment at the end of paragraph 3 about the 10 cents to 60 cents. I guess I'm just not following what you mean. [LR182]

KEVIN RILEY: Our levy is \$1.05. You'll find levies in this state at 45 cents or 55 cents or 65 cents. And I think that...I was just making the statement that when we start to talk economy of scale and we're already at the limit at \$1.05 and some of those are at 45 cents, the economy of scale argument regarding the averaging adjustment goes out the window for me. [LR182]

SENATOR DAVIS: Thank you. [LR182]

KEVIN RILEY: Uh-huh. [LR182]

SENATOR SULLIVAN: Senator Cook. [LR182]

SENATOR COOK: Thank you, Madam Chair. And thank you, Superintendent Riley. Could you tell me what you mean by the--in paragraph 5--"the Learning Community common levy spin." What do you mean by common levy spin? [LR182]

KEVIN RILEY: Well, everyone in the state with the exception of the 11 Learning Community school districts have TEEOSA, and that's it. You have your state funding, your state aid, plus whatever you raise in property tax, and that is yours. In the Learning Community, that's totally different. So we take the TEEOSA and then it's a second spin amongst the 11 school districts. If you remember, the whole Learning Community agreement was based on two things: secure boundaries for a common levy. And so it goes into a second spin to try and accomplish that. And, as you can see, it's struggled a

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little bit in terms of what the original intent was. But that's only because it was written before the 2008 changes in the state aid formula occurred. Had it been written after that, I think it would have looked much differently. [LR182]

SENATOR COOK: Okay, thank you. [LR182]

SENATOR SULLIVAN: Thank you. [LR182]

RENEE FRY: Good morning, for a few more minutes. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. I travel the state often to meet with Nebraskans and talk to Rotaries, Kiwanis, chambers of commerce, young professionals. K-12 funding comes up often. In the western part of the state, people believe their property taxes, in effect, subsidize urban school districts. In the eastern part of the state, people believe their income taxes subsidize the west. Senator Davis' constituents, for example, point to the use of tax increment financing and other incentives that reduce taxable property in Douglas County requiring more state aid to OPS, leaving less for them. And, of course, the urban school districts point to their high levies while many rural school districts have levies that are 40 cents less or even more than that. There is resentment on both sides. The rising valuations of agricultural values combined with reductions to state aid have fueled this fire. Agriculture is picking up a greater share of property taxes than they were a decade ago, and they're frustrated, while at the same time, residential and commercial property values remain relatively flat. It is difficult to envision a scenario where this animosity will dissipate without an increase of state aid. In fact, we rank 49th in the percentage of K-12 funded by state aid, down from 40th in 2002-03 when 40.4 percent of K-12 funding came from the state. Today only 30.3 percent of K-12 is funded with state dollars, a 10 percent decline in just one decade. And, of course, it is difficult to achieve equity between school districts with the system so heavily reliant on property wealth. While this may sound like a job for the Tax Modernization Committee, you will have an impossible task without their cooperation and we urge you to work closely with them to assure your success, just as

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LB1059 was heard by a joint hearing of the Education and Revenue Committees. I will briefly address a few other suggestions for your consideration. Consider a statewide property tax levy. According to the National Conference of State Legislatures, 13 states have a statewide levy. This may help address the wide variation in levies across the state and the consequence that districts of the highest percentage of poverty and at-risk students tax at an average of 17 cents higher than those with the lowest percentage of poverty and at-risk students. I would urge you to review all state sources of funding for K-12 education, not just TEEOSA funding, to determine if the distribution of all state sources are being distributed where it is needed most. In our analysis of Nebraska's school-funding system, we found that more nonequalization aid dollars go to the school districts with a lower percentage of poverty students than to school districts with a higher percentage of poverty students and that some components of TEEOSA have a regressive effect. I would urge you to create a state categorical program for capital outlays. Requiring the construction of new learning facilities and renovations to be funded at the local level can make it more difficult for a low-wealth district to fund such capital compared to a high-wealth district, especially given that low-wealth districts have an average levy 15 cents higher than high-wealth districts. And finally, we would urge you to improve access to pre-K education. According to economist Timothy Bartik, not only does pre-K improve K-12 test scores and adult earnings for participants, but investing in early childhood can create more and better jobs and higher per capita earnings for the state. In fact, for every \$1 invested in quality pre-K programs, the per capita earnings of the state increased \$2.78 according to Bartik, and up to \$16 when anticrime and other benefits are taken into account. OpenSky offers our assistance to the Education Committee as it studies how best to finance K-12 in Nebraska. And in the interest of time, we'll provide our input on some of the other discussion points published by the Education Committee in a separate memo. I would be happy to answer any questions. [LR182]

SENATOR SULLIVAN: Thank you, Renee. Questions? Senator Davis. [LR182]

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SENATOR DAVIS: Thank you, Renee. OpenSky has done a lot of research on a lot of different things. Can you tell us where Nebraska would rank in comparison to all neighbors in terms of property tax as a... [LR182]

RENEE FRY: South Dakota is 50th and 11 of the surrounding states would rank higher than we are. [LR182]

SENATOR DAVIS: Okay, thank you. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

RENEE FRY: Thank you. [LR182]

SENATOR SULLIVAN: Welcome. [LR182]

BRETT RICHARDS: (Exhibit 13) Hi, how are you doing? My name is Brett Richards, B-r-e-t-t R-i-c-h-a-r-d-s. I'm the superintendent of Springfield Platteview Community Schools. Senator Sullivan, members of the Education Committee, thank you for providing this opportunity to speak on state aid issues and, more importantly for us, the common levy portion of the state aid associated with the Learning Community. As the state aid formula and possible common levy changes are discussed, we would like you to consider the issues our district faces and possible changes that are needed to make the common levy work for all school districts in the Learning Community. We appreciate you traveling around the state and hearing the impacts of the current state aid system and being open to the issues surrounding current legislation. This is reassuring, especially in the smaller districts like ours who don't always feel we have a voice in the Legislature that can have an impact on legislation. You know, I wasn't around when the common levy was created for our district but I can assure you, our board of education and patrons are very frustrated and feel we didn't have a voice when being put into the Learning Community. So thanks again for listening. I realize most of you were not in the

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Legislature or on the Education Community when the Learning Community common levy was created. Our board of education and I understand the purposes of the Learning Community and the additional costs needed to help kids with their learning, especially in high-poverty areas. Our district has been willing and able to do its share, but what has happened over the last three years has become disproportionate as far as revenue sharing goes. Springfield Platteview will lose \$1,819,034 of potential revenue in 2013-14. In 2012-13, we lost \$1,387,775, which was 13.3 percent of our potential revenue. In 2011-12, the loss was \$1,142,618, which was 11.2 percent of our potential revenue. In 2010-11, the first year of the Learning Community common levy formula was more reasonable with losses of \$310,183, which was only 3.1 percent of our potential revenue at that time. The amount in 2013-14 represents a loss of over 16 percent of our potential district revenue, which computes to around 14 cents of our \$1.05 district tax levy if we were back to the old system of Nebraska finance for the Learning Community districts or the current system of Nebraska school finance for the other 238 school districts in the state. This is disheartening to our district to know that if we resided a few miles south, we would have \$1.8 million more to serve our students this school year. Our district is stuck in this formula with a stagnant revenue stream of common levy redistribution dollars, state aid that we wouldn't need if there wasn't a common levy, and 10 cents from our own property taxes. This leaves us in a state of continued uncertainty. Uncertainty with how we will continue to budget for future pay and health insurance increases and other rising expenses that we have little to no control over. This also hampers our ability to provide facility improvements that are needed in our district, yet we see the dollars are going to larger school districts that have swimming pools, tennis courts, and other programs that we can only dream of in our district. It also leaves us with uncertainty as to how we will handle future growth to operate our new schools and hire new staff in the not-so-distant future. Sarpy County needs our district to be ready and able to handle student growth. Sarpy County is a leader in the state in economic development and population growth for the foreseeable future. And our Learning Community common levy isn't helping us prepare for this growth. Great schools are important to economic growth. According to Learning

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Community's recent financial analysis, the state has saved \$10.25 million in state aid to Learning Community school districts since the Learning Community was created. During this time, Sarpy County school districts have lost \$12,230,015 to the common levy. This would be a good place to start when looking to tweak the common levy to make sure this works for all school districts. At the very least, we are asking that there's a new hold harmless clause on how much a school district can lose of its \$1.05 levy of their own taxpayer dollars. Losing this many dollars to the Learning Community common levy essentially caps our levy at 91 cents and no state aid. This is compared to almost every other school district in the state who is able to levy up to \$1.05 to meet their local needs. Imagine the outcry of Hastings, Norris, or Waverly were told they were capped at a 91 cent levy and would receive no state aid. Also imagine the outcry if districts like Valentine, Boone Central, and Ainsworth were told they had to levy at least 95 cents and could not go lower than that levy. This is the situation our district is in on both sides of the levy issue. Lastly, here is a breakdown of percentages lost or gained in potential revenue for each school district in the Learning Community, according to the Learning Community analysis. You can see in that chart that Douglas County West loses 21.5 percent of their potential revenue, and Springfield Platteview loses 16.6 percent of their potential revenue. And the next highest is 2.6 percent in losses. As you can see, DC West and Springfield Platteview losses from a percentage standpoint are significantly higher than the rest of the districts' losses. This continues to have a large impact on both of our school districts, two of the highest performing school districts in the Learning Community according to state test results. And we ask that you consider this to any changes you make to the common levy formula. Thank you, again, for allowing us the opportunity to speak. I'd be happy to help research and find solutions for the changes needed in the common levy formula and work with the Education Committee on a solution to the issue. Thank you. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Richards. Any questions? Senator Haar.
[LR182]

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SENATOR HAAR: Yes. Thank you. If I understood you, you were saying that if you didn't have to put money into the Learning Community, you'd need no state aid?
[LR182]

BRETT RICHARDS: Correct. [LR182]

SENATOR HAAR: Now, right now in '13-14 you get \$4,500 per student in state aid.
[LR182]

BRETT RICHARDS: Correct. [LR182]

SENATOR HAAR: And so you wouldn't need any of that. [LR182]

BRETT RICHARDS: If we were to just have our own tax base, we wouldn't need any of that. [LR182]

SENATOR SULLIVAN: Senator Kolowski. [LR182]

SENATOR KOLOWSKI: Thank you, Madam Chairman. Superintendent Richards, thank you for your presentation this morning and being here. And I hope, from my perspective and hopefully many of the committee, that you and the initial superintendents and the Learning Community association will sit down and give us some of the best ideas that you have, working with Mr. Stilwill and others that you could give us the best sets of plans that would help alleviate some of this disparity in the two districts, especially within the Learning Community. It was not meant to be this way. It's been this way, we need to look at changing that to assist those districts. And we'd be very open for your collective wisdom coming to the forefront to assist us, if you could. Thank you. [LR182]

BRETT RICHARDS: I do appreciate that. [LR182]

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SENATOR KOLOWSKI: Thank you. [LR182]

SENATOR SULLIVAN: Senator Cook. [LR182]

SENATOR COOK: Thank you, Madam Chair. And thank you, Mr. Superintendent, for joining us. As I've learned and continue to learn as a member of the Legislature and a member of the Education Committee, beyond our analysis, how the money gets distributed among the members of the Learning Committee, there was an intention that included the spirit of a Learning Community, which also often gets left out of the conversation. So I wanted to kind of make that statement and ask for your response. And my understanding of the spirit of the Learning Community was that we, as residents and citizens of this region, could not, shall we say, move away from a what has been identified as a problem or move away from our own comfort levels in terms of what our neighbors look like and what the children sitting next to our children look like. Would you speak to that, please? [LR182]

BRETT RICHARDS: You bet. And as I said in my statement, our board of education has been supportive of the Learning Community philosophies and the philosophies behind the revenue sharing. I just think it's gotten to a point--and we all do in our district--that it wasn't supposed to be this disproportionate... [LR182]

SENATOR COOK: Okay. [LR182]

BRETT RICHARDS: ...amongst the 11 schools districts. You can see the percentage losses of two of them are greatly, probably a lot higher than people anticipated when they made the law. [LR182]

SENATOR COOK: Thank you. [LR182]

SENATOR SULLIVAN: Thank you for your testimony. [LR182]

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DAN SCHNOES: (Exhibit 14) Good morning. My name is Dan Schnoes, D-a-n S-c-h-n-o-e-s. I'm the superintendent of Douglas County West Community Schools. Senator Sullivan, members of the Education Committee, thank you for providing this opportunity to speak on state aid issues and, more importantly for us at Douglas County West Community Schools, the common levy associated with the Learning Community. State aid is a complicated formula that attempts to address the changing needs of all the school districts in Nebraska. You have a very difficult task ahead of you, as I am sure you have heard a wide variety of testimonies from the many school districts across Nebraska. As you know, every tweak or change in the state aid formula affects the Learning Community schools twice as much: first, through TEEOSA; and second, through the redistribution of the 95 cent common levy through the Learning Community. The impact of any negative changes can be devastating to our school district. Being in my second year as superintendent at Douglas County West, I am beginning to understand some of the purposes of the Learning Community. With the continual large financial losses, it is very hard for us to stay positive regarding this concept without some help and some understanding from the Education Committee and the state Legislature. I believe one of the founding principles of the Learning Community was to help schools with high poverty rates. DC West has approximately 50 percent students of poverty in our elementary and middle schools, and over 40 percent poverty in the district. We have the third highest poverty rate in the Learning Community and yet we lose money every year that could be spent on the kids that need it most. We are in favor of early childhood; we have over 60 kids in our preschool program, many from homes of poverty. DC West will lose more than \$1.64 million of potential revenue this school year alone. Over the past four years, DC West has lost over \$4 million. This year alone represents a loss of more than 18 percent of our potential revenue and more than 21 cents of our levy. At \$1.05, we have no dollars for building fund. Ninety percent of our buildings were built in the '50s, '60s, and '70s. Very few of them have been remodeled. Our budget will go down 1.5 percent this year because of loss of revenue. However, our kids, we have probably a 67 percent increase in students. Our cash reserve is now

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being tapped. A hold harmless clause would have a tremendous impact on the services we could provide our children. The idea to eliminate or phase out the 95 cent levy over the next three or four years would eliminate the dual filtering of state aid that is very unfair to us. There is no secret that we are the two biggest losers in the Learning Community and the two smallest school districts; that's Douglas County West Community Schools and Springfield Platteview Community Schools. I had thought at one time to bring a student in and put them on a scale and have them hold a sign up over their head that said \$1.64 million, because if we were on The Biggest Loser show, we'd be there. But I wouldn't want to do that to our kids. We're in agreement that with Springfield Platteview that the formula doesn't work for smaller school districts who aren't growing at a fast enough rate. Though DC West is considered a very small school in the Learning Community, we are the 58th largest school district out of 249. I can only imagine how devastating this dual state aid filtering system would be to some of the smaller school districts in central and western Nebraska. The state aid formula is not broken. But with some minor modification, it needs to be allowed to do what it's intended to do, for all of us. The Learning Community is not broken either, but it needs some major adjusting if you want it to become a more effective educational group of schools. I would like to offer my services to help research and find any solutions that could help with the changes in the state aid formula, the Learning Community, and especially with the common levy. Thank you for allowing me to speak. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Schnoes. Questions? Thank you for your testimony. [LR182]

DAN SCHNOES: Thank you. [LR182]

TERRY HAACK: (Exhibit 15) Good morning, Senator Sullivan and members of the Education Committee. My name is Terry Haack, H-a-a-c-k, superintendent of Bennington Public Schools. I want to thank you very much for traveling around the state and taking the testimony of many of the people. I believe the funding formula embodied

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in TEEOSA legislation is appropriate means to fund education for public schools' children in the state of Nebraska. However, I also believe we have strayed away from the fundamental principles of TEEOSA with a movement to equitably fund districts and not students. TEEOSA starts with tax, taxes collected in the state of Nebraska primarily made up of property, sales, and income. School funding is a simple formula that calculates the local resources of a district and redistributes state resources to support the districts in need. The formula has been modified over the years to provide more resources for children who need additional support. The history of TEEOSA suggests it should not be looked at as a means of tax relief, rather, it's a means of distributing state resources in an equitable fashion for all public school children. A quick look at district spending per student as the result of recent modifications of TEEOSA is creating an inequitable system to fund education in our state. The principles of TEEOSA can be found in the words "supporting equity in educational opportunities." There is no doubt we can find diversity in educational opportunities from district to district across the state. It is suggested larger districts provide more opportunities for students than smaller school districts. It is understandable that funding for students in smaller districts is greater per student than larger districts. TEEOSA is to support equitable education for all children. The question is, at what cost? Should spending for students in smaller districts be three times, four times that of students in larger districts? Is the state of Nebraska working for equitable education opportunities on a district level or on a student level? As stated, I believe children, not districts, are more important. The state of Nebraska has an awesome responsibility to educate its populace. It is charged with ensuring equitable educational opportunities for all public school children. The greatest means from which the state of Nebraska has of meeting this important obligation is through TEEOSA. Property taxes collected from Dawes County are just as important as sales and income taxes collected from Douglas County. As you think about the children from Omaha to Osceola, please think about them in...as an equitable means in discussing education in this state. Thank you very much, I appreciate your time. [LR182]

SENATOR SULLIVAN: Thank you, Mr. Haack. Any questions? Thank you for your

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testimony. [LR182]

MARY SPURGEON: (Exhibit 16) Good day, Chairperson Sullivan and members of the Education Committee of the Nebraska Legislature. My name is Mary Spurgeon, S-p-u-r-g-e-o-n. And I am speaking for the BEARs, that is the Bellevue Education Association-Retired. Members of the Bellevue Education Association-Retired taught in the Bellevue Public School district and are committed through the BEAR bylaws to support public education. Every Nebraska child deserves a quality education. All of the Nebraska Constitutions, going back to the Nebraska Territorial Constitution, require a free, quality education for all Nebraska children through the common schools. Even though Legislatures have created school districts, that action alone does not provide equity funds for a free, quality education for all Nebraska children. So Legislatures have provided equity funds through laws including the current Tax Equity and Educational Opportunities Support Act or TEEOSA. The Bellevue Public Schools need such legislative support from our state Legislature and Congress. The Bellevue Public Schools are property tax poor because buildings and equipment at Offutt Air Force Base are, rightfully, exempt from state and local taxes. Equity fund needs for property tax poor Bellevue Public School District are highlighted in the following quotation, with chart, from the school district's budget proposal report for 2013-2014. "Quote: The chart below illustrates the extreme variances from one school district to another in assessed valuation. The Bellevue School District is a poor school district in terms of assessed valuation and depends heavily on funding from outside sources. Bellevue ranks well below Learning Community schools in assessed valuation. The chart below shows what 10 cents in taxes levied in each of the school districts would raise per pupil. Each district in the Learning Community can levy an additional 10 cents over the common levy." I'm not going to do the whole chart, but let's just start with the top. Springfield's valuation per pupil is \$1,073,114. Bellevue's valuation per pupil is \$251,119. Taxes per pupil in Springfield with a 10 cent levy are \$1,073.11; in Bellevue, \$251.12. And the other districts that have spoken to you today, of course, fall in the middle somewhere, many of them. For decades, Bellevue Public Schools have depended heavily on funding from

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outside sources. Legislators have provided tax equity funding so Nebraska's children from the Bellevue/Offutt community could receive educational opportunities. For decades, the BEARs have taught these children using funds from TEEOSA or similar legislation. These children were not statistics to BEARs; these children had names and faces. These children used and benefited from these funded opportunities. Bellevue Public School graduates since 1950 include business people, a U.S. Senator, doctors, clerical workers, a businesswoman who chaired the American Red Cross' board of directors and was an ambassador to Finland, truck drivers, attorneys, doctors, a movie star who was also the star in several TV series, farmers, ranchers, teachers, NBL basketball player, and NFL football players, one of the Iranian Embassy captives, NASA scientists, an Olympic medal winner in wrestling, dentists, mechanics, trades people, authors, a Pulitzer Prize-winning journalist, and members of the armed forces, including some who died for us. More successful citizens will come from the Bellevue Public Schools, which depend heavily on funding from outside sources. Please keep using TEEOSA and similar legislation for the financing and delivery of public early childhood education, elementary, and secondary education in Nebraska. Thank you for your work upholding Nebraska's constitutional mandate to provide a free, quality public education for all of Nebraska's children, with special thanks from the children of property tax poor Bellevue School District where 10,000 children are being educated as we speak. I wish you well in this significant and daunting enterprise. Thank you. [LR182]

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

JAMES ENRIGHT: Madam Chair and members of the committee, James J. Enright, 3303 R Street, Omaha, Nebraska, 68107. I'll be brief, I know your time is short here. But I did want to say I agreed in large part with the gentleman from the Farm Bureau, the urgent need to reduce the property tax as a way to pay for our school funding and replace that with an income tax. I did disagree with him on replacing the property tax with the sales tax. Sales tax is very regressive. It hurts the poor as a percent of income

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more than the middle class and upper class. And also, the property tax is also regressive. It has no...it hurts the poor disproportionately, and it has no relation to your ability to pay. You could have zero income and your property tax is still the same as it was when you made \$1 million a year. So the same way with the sales tax. Well-to-do people just don't spend as big a percent of their income for things that fall under the sales tax as the poor do. So I think it's...we all know that the property tax is just way too high in Nebraska. You look at the other states, it's way too high. I think we're 13th now. We've been as high as third in the nation. We're higher than all of our surrounding states except Iowa in the property tax. And we're the highest total tax of any state in the region, and we've been that way for many years. And I don't represent anybody. I'm not a special-interest pleader here; I'm just a taxpayer. And I thought you might like to hear from just a common taxpayer. So replace the regressive, onerous property tax that's hurting people that can't afford to pay it, like farmers. When crop prices are down, they've still got to pay that big property tax. So replace that, some of that, with a graduated income tax, not a sales tax. I think that would be fair for everybody. Thank you very much for your time. [LR182]

SENATOR SULLIVAN: Thank you. Well, it appears that there are no other individuals wishing to testify. I thank everyone for their participation, both in terms of testifying and listening. And I want you to know that the Education Committee appreciates all this input, and we will continue with our task. Thank you very much. (See also Exhibit 17) [LR182]