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Education Committee
February 03, 2015

[LB182 LB323 LB343 LB534 LB563]

The Committee on Education met at 1:30 p.m. on Tuesday, February 3, 2015, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB323, LB182, LB563, LB343, and LB534. Senators present: Kate Sullivan, Chairperson; Rick Kolowski, Vice Chairperson; Roy Baker; Tanya Cook; Mike Groene; Adam Morfeld; Patty Pansing Brooks; and David Schnoor. Senators absent: None.

SENATOR SULLIVAN: Welcome, everyone, to the Education Committee public hearing on five bills today, LB323, LB182, LB563, LB343, and LB534. I'm Senator Kate Sullivan, Chair of the committee and representing District 41 and I live in Cedar Rapids. Would like you also to meet the other members of the committee and we'll start with the Vice Chair.

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

SENATOR SCHNOOR: Dave Schnoor, District...oh, I'm sorry. Dave Schnoor, District 15 which is Dodge County.

SENATOR PANSING BROOKS: Hi. Patty Pansing Brooks, District 28 right here in Lincoln where you're sitting.

SENATOR GROENE: Senator Groene, Lincoln County, western Nebraska.

SENATOR COOK: I'm Senator Tanya Cook from District 13, northeast Omaha and Douglas County.

SENATOR BAKER: Senator Roy Baker from District 30. I live in the Norris School District.

SENATOR SULLIVAN: We have one other member, Senator Adam Morfeld of Lincoln. I presume he might be introducing a bill in another committee so he will join us also later. I'd like to also introduce you to the staff that help us in this process. To my immediate left is Tammy Barry, a legal counsel for the Education Committee. On my far right is Mandy Mizerski who is the committee clerk and will be making sure we have an accurate record of the hearing. We also have two pages that are helping us, Brook Cammarata from Omaha who is a student at UNL majoring in advertising, public relations, and political science, and Seth Thompson is somewhere.

BROOK CAMMARATA: He's sick today.

SENATOR SULLIVAN: Oh, he's ill today. Okay. But he's from Ogallala and is a student at Nebraska Wesleyan. Just to lay out a few ground rules with how we operate the

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committee, if you are planning to testify, please pick up a green sign-in sheet that's on the table at either entrance in the back of the room. If you do not wish to testify but would like your name entered into the official record as being present at the hearing, there's a separate form for doing that as well. And both of those will be part of the official record. Regarding the green sheet, if you would please fill it out before you testify, please print, and it is important to complete the form in its entirety. When it's your turn to testify, please give the sign-in sheet to the committee clerk. If you have handouts, please make sure you have 12 copies and the pages will hand those out to the committee. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell both your first and last names. Perhaps I don't need to say this, but I would ask that you, please, shut off all cell phones, anything that makes a sound so as not to be distracting to the testifiers. The introducers will make the initial statements followed by proponents, opponents, and those testifying in a neutral capacity. Closing remarks are reserved for the introducer only. We will be using the light system today for all testifiers. You'll have five minutes for your testimony. The yellow light will come on when there is one minute left. And when the red light shines, you should conclude. So I think that takes care of everything. Just as a reminder to the committee as well for them to speak into the microphone when they ask questions of the testifiers. So with that, we will begin our hearing with LB323. Welcome, Senator Davis. [LB323]

SENATOR DAVIS: It's always great to be back before the Education Committee but Senator Schnoor in my chair... (Laughter) [LB323]

SENATOR SCHNOOR: I'll trade you. (Laughter) [LB323]

SENATOR DAVIS: (Exhibit 1) Good afternoon, Senator Sullivan and members of the Education Committee. I am Senator Al Davis, D-a-v-i-s, and I represent Legislative District 43. Today I am introducing LB323, a bill that would create a school finance review commission to examine our current school funding system and make recommendations to ensure that it is balanced in funding sources. We are bound by our state constitution to provide for the free instruction in the common schools of this state. However, the constitution does not define how it should be done or how we should pay for it. Our current system of school finance and its overreliance on property taxes creates significant inequities that piecemeal policy tweaks cannot meaningfully and sustainably alleviate. LB323 would reconstitute the School Finance Review Commission of the late 1980s to review the ways in which we fulfill our constitutional obligation and to ensure that our school finance system is equitable, balanced, and that every Nebraskan is educated to success. In 1988, in response to ongoing debate about school district organization and financing, the Legislature created a School Finance Review Commission through enactment of LB940 introduced by Senator Ron Withem. It was a 16-member commission that included representatives from the Legislature, the Governor's office, higher education, the Commissioner of Education, all classes of

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public schools, and two at-large members. The commission was to examine whether or not income should play a larger role in school finance, what methods were available to reduce the overreliance on property taxes to fund schools, and to consider aid distribution formulas that would provide greater equity for students and taxpayers. The commission met over an 18-month period from 1988 to 1989 and issued their final report, including recommendations, in early 1990. The commission's final report found two major policy problems with the school finance system: (1) that the burden of property for school support is excessive by any standard of measurement, resulting in inequities to taxpayers and a narrow and unstable tax base for schools; (2) that the current system of school finance, with its overemphasis on the property tax as the primary basis of support for schools and grossly inadequate equalization abilities, does not assure that all students in the state will have equitable access to appropriate and necessary resources. The work of this school finance review commission resulted in recommendations for a new school finance system and the passage of LB1059 in 1990, which is the foundation for the Tax Equity and Educational Opportunities Support Act, or TEEOSA. While changes to school finance have been made along the way, the first major policy problem identified in 1990 is still a problem today. Our overreliance on property wealth for school funding results in inequities to taxpayers and is a narrow and unstable tax base for schools. I believe that the education and tax policy of this state would benefit greatly from an opportunity to take a step back, look at how education has changed over the past 25 years, and evaluate whether our current system of school finance is balanced, equitable, and sufficient. Has our school finance system adequately addressed the challenges raised when it was first created back in 1990? Does it ensure equitable access to appropriate and necessary school services for all kids across the state? It is my hope that a new version of the School Finance Review Commission can help us to answer these questions. The School Financing Review Commission created in LB323 shall (1) examine the options of using income as a component in the financing of schools; (2) examine the option of using sales tax as a component for local school funding including but not limited to the experience of any other state for such option; (3) examining financing methods used in other states which offer alternatives to heavy reliance on property taxes; (4) examine financing issues as they relate to the quality and performance of the schools; (5) examine options for funding expanded prekindergarten services; (6) examine the costs and resources necessary to educate students in poverty and those with limited English proficiency; (7) examine methods used by other states to fund kindergarten through 12th grade infrastructure needs; and (8) prepare a report with recommendations and a plan to implement the recommendations. The report shall be presented electronically to the Legislature by December 1, 2016. As proposed, membership is very similar to the original commission including members of the Legislature, the Commissioner of Education, a representative of the Governor, representatives of public schools from all classes, representatives from Educational Service Units both urban and rural, and two at-large members. There are slight adjustments from the commission membership in the 1988 legislation to accommodate the changes in number of public school classes as well as the addition of ESU

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representatives. LB323 also adds additional requirements to examine the resources necessary to educate students in poverty and those with limited English proficiency as well as options for funding pre-K and K-12 infrastructure needs. I have handed out an amendment that addresses some concerns that were raised about the status of both executive and legislative branch representatives as voting members. The original commission had them all as voting members, but this was prior to the Conway Opinion in 1991 which determined that legislative members should not serve as full voting members on boards or commissions which exercise primarily an executive or administrative function. As a result, we have made the three legislative members nonvoting, ex officio members of the commission. The amendment also clarifies that the commission will be housed in the Nebraska Department of Education for administrative purposes. I would like to briefly speak to the fiscal note as the bill calls for an appropriation of \$100,000. That is the same amount of funds requested for the original commission in 1988 which was to enable them to hire a consultant as the subject matter was complex and would benefit from expert staff support. I believe the current school financing system remains out of balance. Our state's overreliance on property wealth as the primary determinate of a community's ability to support its local schools is flawed and the result of this imbalance is a very real concern that we are not providing equitable access to resources for all students in our state. It is my hope that LB323 and the School Financing Review Commission can help us find a balanced way forward that affords all students equal educational opportunities. Thank you very much and I'll take any questions. [LB323]

SENATOR SULLIVAN: Thank you, Senator Davis, for your introduction. I note the amendment that you're offering that changes a little bit the...makes clearer the separation of powers, but who do you anticipate would lead the commission, so to speak? [LB323]

SENATOR DAVIS: Well, in the bill we have defined it as it would be someone elected by the body. So... [LB323]

SENATOR SULLIVAN: By the body...the commission... [LB323]

SENATOR DAVIS: ...by the commission itself. [LB323]

SENATOR SULLIVAN: Okay. So that would still potentially beg the question of the concern over separation of powers between legislative and executive. Is that correct? [LB323]

SENATOR DAVIS: I'm not sure I would say that would be the case, but I'm not an attorney, but... [LB323]

SENATOR SULLIVAN: Okay. [LB323]

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SENATOR DAVIS: ...you know, as nonvoting members, I think someone can still lead a commission, you know, but they're not going to be able to vote. [LB323]

SENATOR SULLIVAN: Okay. Do you know when the original commission ended? [LB323]

SENATOR DAVIS: I think it was ongoing. It wasn't...if it wasn't ongoing, there was something similar ongoing through the 2008 collapse in the economy at which time I think it was eliminated. [LB323]

SENATOR SULLIVAN: Okay. And as I listen to your identification of the topics that would be addressed by the commission, is it fair to say that its focus is mainly on funding but also a little bit of programming as well? [LB323]

SENATOR DAVIS: Certainly. You know, we've got new things that have come along, new needs since that legislation was put in place. So we need to address equity in all things not just financial. [LB323]

SENATOR SULLIVAN: Okay. Any other questions for Senator Davis? Senator Kolowski. [LB323]

SENATOR KOLOWSKI: Thank you, Madam Chair. Senator Davis, thank you for presenting this and this has got a lot of great potential, I think, if we use this and do it correctly. The December 1, 2016 reporting date, that would be a whole year and a half to work on this as you're looking at it that way? [LB323]

SENATOR DAVIS: Well, yes. [LB323]

SENATOR KOLOWSKI: (Inaudible) ...passage and then end of session and then... [LB323]

SENATOR DAVIS: Yeah, I think it's going to take a long time. And if you back to the original bill, I think, in 1988, they were trying to do it within the legislative body and I think that you'll find notes that said that the issues were just too complex which is why they came back and requested this consultant. I think there was an original request for funding and then they came back with an additional request for more funding because they decided they couldn't really do a good job because they didn't have the resources available to them and they needed to bring in some consultants who could kind of talk about national policies for funding schools. You know, it's the same issue that we're dealing with today. And if you go back to that particular time period, we had levies in Crawford that were \$3.05 and then we had other districts that were just threadbare. So, you know, it's Tax Equity and Educational Opportunities, so I think both of those go

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hand in hand. [LB323]

SENATOR KOLOWSKI: Thank you. And my additional question comes right off of your comment. The idea of a consultant...you and I saw firsthand with the water sustainability study a year ago how important that was with a very diverse group of people to have someone keep things on track and moving down the road. And I commend you on that and I think it's a very important piece of being successful with this. And my third concern, I guess, would be the...is \$100,000 going to be enough? That's the...that was the cost in 1990. Inflation alone would take it up to a considerable amount and last year's...or I think the bill was in the \$300,000/\$400,000 range with the sustainability study with the number of people we had across...37 meetings across the state. [LB323]

SENATOR DAVIS: So if you go back to the 1990 legislation...or 1988, I think the original request was \$10,000 and then they upped it to \$100,000. But as I recall, they spent less than \$40,000 altogether over that three-year period. So I think it's a sufficient amount of money. I think we can do it for that. You know, it may be a little tight, but I think it can be done. [LB323]

SENATOR KOLOWSKI: If it needed to be amended, we could do that, I'm pretty sure. [LB323]

SENATOR DAVIS: You could. The committee could amend that, you know. [LB323]

SENATOR KOLOWSKI: Sure. Thank you. Thank you very much. [LB323]

SENATOR SULLIVAN: Senator Schnoor. [LB323]

SENATOR SCHNOOR: Senator Davis, about, I don't know, three or four questions: The fiscal note, you know, the \$100,000, is that up to...just...I think I...I think he answered the question, but that's up...could be up to \$100,000... [LB323]

SENATOR DAVIS: Yes. [LB323]

SENATOR SCHNOOR: ...doesn't necessarily have to mean any, but... [LB323]

SENATOR DAVIS: That's correct. [LB323]

SENATOR SCHNOOR: Okay. [LB323]

SENATOR DAVIS: If we had no consultants, it could mean nothing or just whatever the administrative cost is going to be. [LB323]

SENATOR SCHNOOR: Okay. You mentioned the date, I think 1990. Was there...there

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was another commission. Was that formed...and that was the result of the...our current TEEOSA formula? Or I guess I'd say formula. I don't know if that's the right...I'm giving the right term or not but... [LB323]

SENATOR DAVIS: So the original bill was 1988. It took two years to get the results from that and the result of that was what ultimately became TEEOSA, if that's answering your question there. [LB323]

SENATOR SCHNOOR: Okay. Yeah. Exactly. And then, do you feel, with Senator Kolowski, the end date being 2016, you think it's going to take that long? Or is it something that could be formed, you know, as soon as the session is over with and be done by the end of the year? [LB323]

SENATOR DAVIS: Well, we could put an E clause into it which would speed things up. If we don't have an E clause, it's going to take a lot longer because it takes 90 days after the last day of session, right? Am I right on that? So, you know, that would be around the first of August or the first of September before we could even start. So I think it's going to take a year to do the work. And I based that on some of the things that I've experience with, you know, the Aging Task Force where we're still going forward with some of the decisions on that. The Water Funding Task Force which I was on with Senator Kolowski, that was essentially a full-time job in many respects. As Senator Kolowski will tell you, I think we had 23 meetings across the state in a very finite amount of time. But there was some urgency to that. I think there's urgency to this, too, but I think you want to be sure you have enough time to get the report done and professional. [LB323]

SENATOR SCHNOOR: Does this...okay, I'm sorry. I didn't mean to interrupt. Does this stop...if this commission is formed, it...would there be anything from stopping them to present the information on our next legislative session next year? [LB323]

SENATOR DAVIS: Not if they could get the work done. I think that would be very challenging though in essentially five or six months, you know, to really drill down into this and get a consultant in and bring all your...you have to bring your appointees in on a very, very regular basis. And most of these people are going to have other jobs. They're not going to be able to come in for two weeks or something to finish the report. [LB323]

SENATOR SCHNOOR: Okay. [LB323]

SENATOR DAVIS: I mean, I'd like to see it done that way. I think it would be great. But we need to have sufficient time to get something done that's really going to be meaningful and necessary. [LB323]

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SENATOR SCHNOOR: Yeah, I have no experience with these. It just...you just simply look at the dates and it's like, surely we can do it faster than this. But like I say, I have zero experience with how this works, so... [LB323]

SENATOR DAVIS: This is government, Senator Schnoor. (Laughter) [LB323]

SENATOR SULLIVAN: And, Senator Davis, you're also, with respect to the gubernatorial appointments, you're asking a next step to have the Legislature approve those appointments. Isn't that correct... [LB323]

SENATOR DAVIS: That's... [LB323]

SENATOR SULLIVAN: ...which would lengthen the time line? [LB323]

SENATOR DAVIS: That's in the bill, but I think we need to remove that. [LB323]

SENATOR SULLIVAN: Okay. [LB323]

SENATOR DAVIS: I think, because otherwise, theoretically, if the bill didn't get put in place until September, we couldn't approve the gubernatorial appointees until January, so then we get into the same issue that Senator Schnoor had. [LB323]

SENATOR SULLIVAN: Exactly. [LB323]

SENATOR DAVIS: It all takes time. [LB323]

SENATOR SULLIVAN: Okay. [LB323]

SENATOR DAVIS: So I think that needs to be struck and I should have mentioned that in my opening. [LB323]

SENATOR SULLIVAN: Okay. All right. Any other questions for the senator? Senator Groene. [LB323]

SENATOR GROENE: Why don't we just skip all of this and hire a consultant, because usually everything I've been involved in, everybody says, the expert 40 miles away said do this, so let's do it? And they all agree with the consultants that...so why don't we just look into as...the Education Committee has got a full staff and we're only in session 90 days. If they could start looking into some of this stuff and drawing information and dealing with a consultant, why do we need to involve...I don't know if any of these folks know anything more than I do about education and funding. And just because you put them all in a room isn't common math where the IQs starting adding up to more than what the highest ones...most knowledgeable person does, which ends up being the

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consultant. So I just...I mean, I just see too many of these things. [LB323]

SENATOR DAVIS: Well, so you could do that if you wanted to and the staff could do that work. You know, there's a certain amount of buy-in that you need to get across the state. I think you would assume that the people that applied to be on the commission would have a lot of interest in it and be very involved. The consultant is going to bring expertise to the commission that isn't there. But as I think Senator Kolowski will agree with me, when we did the Water Funding Task Force, there were a lot of great ideas that came out of the committee members themselves and there were...how many people on that, 32 altogether... [LB323]

SENATOR KOLOWSKI: Thirty-plus, yes, yes. [LB323]

SENATOR DAVIS: ...I believe? [LB323]

SENATOR KOLOWSKI: Yeah. [LB323]

SENATOR DAVIS: But I really think an important element of it is buy-in by the public. [LB323]

SENATOR GROENE: That makes sense, yes. [LB323]

SENATOR DAVIS: And, you know, they've got to then...you go out to the state and you need to sell it to the state. [LB323]

SENATOR GROENE: And they're talking to their neighbors. [LB323]

SENATOR DAVIS: Right. [LB323]

SENATOR GROENE: Thank you. [LB323]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB323]

SENATOR PANSING BROOKS: Thank you, Madam Chair. Senator Davis, thank you for your proposal today and for coming. I think I'm just interested--and I think it may be partly not understanding how these are normally formulated--but it seems to me if it's...if there's an organization that we hope to have created that the Legislature would have buy-in on and then the Governor then appoints all of...or a bulk of the people. So if the Governor has already stated his opinion on what he sort of wants to have done, which is cut property taxes no matter what, then doesn't that group then go forward under that mission? And is it really a group that finds out exactly what the fairest thing is rather than necessarily what the Governor would like whether you agree with the Governor or not, no matter what it is? I mean, I'm not saying...I'm just saying, no matter what, it

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seems that this might go forward under the Governor's direction rather than the Legislature's direction. [LB323]

SENATOR DAVIS: Well, let's go back to the recommendations that came out of the 1988, 1989, 1990 study. So one of the two things that happened in the Legislature was an increase in sales and an increase in income tax rates. My guess is probably the Governor at the time wasn't all that enthused about that. But I think the right people, even if the Governor has a preference for property tax relief, I think the right people who drill down into the issues are going to be able to say, I'm sorry, Governor, this just is not going to work, if that, you know, if that's your concern. Or if the Governor wanted income tax cuts, you know, I find that once people are on these commissions, they devote a lot of time and a lot of energy and a lot of focus to the work. And usually, they'll come out on the right side of things rather than following a political agenda. [LB323]

SENATOR PANSING BROOKS: Okay. Could I ask one more question then, please? [LB323]

SENATOR DAVIS: You can ask as many as you want. (Laugh) [LB323]

SENATOR PANSING BROOKS: Thank you. So I'm...I guess I'm interested in...because I wasn't here when the interim tax study occurred. And I know that the Legislature spent quite a bit of money to have that study go forward and that those senators went across the state and talked to all sorts of people and did not come back with a decision on property taxes and basically said, I believe, that most of the taxes in Nebraska were fair and reasonable and everybody wants their taxes lowered but there is not a clear way to do so. So I guess I just am interested if we do another study, because it wasn't exactly what we wanted to hear on property taxes, do these studies continue until we do get the answer we want? Or how...or do those not relate? I'm just interested in your thoughts on that. And it's partly because I'm new, so... [LB323]

SENATOR DAVIS: So, I'm assuming you're talking about the Tax Modernization research... [LB323]

SENATOR PANSING BROOKS: Yes. [LB323]

SENATOR DAVIS: ...which was done in the summer of 2013. [LB323]

SENATOR PANSING BROOKS: Yes. [LB323]

SENATOR DAVIS: And, you know, that came out of...basically, that came out of the Governor's proposal to essentially lower the income tax and...significantly and with a lot of revenue to be raised by sales tax on machinery and parts and everything else. [LB323]

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SENATOR PANSING BROOKS: Um-hum. [LB323]

SENATOR DAVIS: So that bill...the Governor's bill at that time raised a lot of anxiety among a lot of people in rural Nebraska who felt that they were already heavily taxed on property and now we're going to be taxing everything else out there at the expense of some income tax relief for some other people. So that committee was put together. And when the committee traveled the state, they heard over...I was at four of the five hearings. And at three of those, it...property taxes were absolutely top of the list. And at the fourth one, which was in...here in Lincoln, I went and that...and it was property taxes. Omaha wasn't quite as much focused on that. So I wasn't on the Revenue Committee, but that's where the battles took place last year, and I think you could visit with Senator Sullivan about that, because she was in the middle of that. And I think everyone recognized that we had to find some solution to the property tax problem. But nobody could come up with a way to do that. This is one way to do that, because since the Tax Modernization Committee met across the state, ag valuations are up 29 percent last year and I think 23 percent the prior year. So we, you know, we're another 50 percent higher than we were then. When I came before you...I've done enough bills, I get mixed up as to who I have addressed things with but, you know, I've got a constituent out there who cash rents his place and he generates \$42,000 in profit on it, but he pays \$21,000 in property taxes. If that doesn't tell you there's a problem, I don't know what does. So we need something like this to look at things and say, you know, we need to develop something that's more fair and equitable. Property tax pays the vast majority of local education. Nebraska, I believe, is 50 of 50 states in the amount per student of support. [LB323]

SENATOR PANSING BROOKS: Thank you. [LB323]

SENATOR DAVIS: Long answer, sorry. [LB323]

SENATOR PANSING BROOKS: No, thank you for your answer. [LB323]

SENATOR SULLIVAN: Any other questions for Senator Davis? Will you be here for closing? [LB323]

SENATOR DAVIS: I will. [LB323]

SENATOR SULLIVAN: All right. Very good. [LB323]

SENATOR DAVIS: Thank you. [LB323]

SENATOR SULLIVAN: Yes. Welcome. [LB323]

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JIM PAPPAS: Thank you, Madam Chairman. Committee members, my name is Jim Pappas, P-a-p-p-a-s. I'm here representing Independent Cattlemen of Nebraska in behalf of...support of the bill. And a little history...and Independent Cattlemen of Nebraska...because of declining rural enrollment, increasing valuation of ag land, it's time to look at a change in the formulation of how we finance education in the state of Nebraska because everybody knows. You've read about it in the paper for two years. But to add a little history to what we are about to do today, I was one of the lead lobbyists 25 years ago when we passed LB1059. And LB1059 came about because of the unfair system that we had at the time and the heavy reliance on property taxes to pay for school finance in the state of Nebraska. What became of that is a bunch of leaders in the Legislature and from the education community went down to Kansas and studied the Kansas finance...school finance system. And basically LB1059 was adapted about and on similar to what Kansas finance was doing at the time. LB1059 also increased sales tax 1 percent, increased income tax 20 percent, and basically was the largest shift there was and it was very equitable for a long period of time. But over the years, it has not kept up with the same proportion that was back in 1990. And so because of that, property taxes again became very reliant...the school finance has become very reliant on property taxes again. And it's...over the years there's been many attempts to tweak it a little bit to make it better, change it this, change it that, but none of them have really kept up with the changes that's been...came out. In the last ten years there have been some drastic changes in the picture of education in the state of Nebraska. Two of the things there are in the dramatic increase in ag valuation and other valuations in the state. One of the other one...major ones is a large increase in non-English-speaking students. And it creates a system that is not fair anymore and equitable the way it was in pictures back in 1990. And because of that, I think it's time for the body to look at making major changes. Senator Davis has proposed to have a committee come forth and do some study and make some major changes. [LB323]

SENATOR SULLIVAN: Thank you, Mr. Pappas. Any questions for him? In your testimony, are you basically almost expecting that you want the same answer that they got ten years ago? [LB323]

JIM PAPPAS: Twenty years ago. [LB323]

SENATOR SULLIVAN: Twenty years ago (laughter) which was more... [LB323]

JIM PAPPAS: Actually about 25 years ago. You're really dating me. I don't think...not the same answers. There's got to be different answers because the problems are different than they were back then. And because of that, it's going to be a little more hard to come up with a good solution that's going to fit...one size is not going to fit everybody. And that was the problem we had back there with LB1059. They come up with a plan that was fair and equitable for everybody. And back then, like I said, the differences weren't as great as they are today as far as the assets of each school, the

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number of students in each school, the priorities of each school board. A lot of school boards have different priorities in the way they create the school system whether paying the teachers, the educational system, what they put priorities in, athletics, band, instructional methods, busing. There's so many variables out there, it's hard to come up with a plan that's going to please everybody. And whatever it's going to take is going to take an increase in financing someplace, because what you have available now is not going to be completely satisfying to everybody. So this committee is going to probably be the lead in property tax reduction too. [LB323]

SENATOR SULLIVAN: Should some of that decision on funding also be driven by what the state identifies as educational priorities for their students? [LB323]

JIM PAPPAS: I think so, yes, and a lot of what the federal government is said the priorities should be of the students, but I think that's one thing that's going to change over the years. [LB323]

SENATOR SULLIVAN: Any other questions for Mr. Pappas? Thank you for your testimony. Welcome. [LB323]

JON HABBEN: Thank you, Senator Sullivan. Members of the committee, my name is Jon, J-o-n, Habben, H-a-b-b-e-n. And I represent the Nebraska Rural Community Schools Association. This bill, particularly with its "the report shall be done by" I think is a real positive step. We've had a number of studies done. Some of them have been by commissioned by groups, ours being one of them, over the last 20-plus years. And I think the struggle with a study lies a lot in its credibility. I think using a group, a committee with representatives that do connect with the broader community, is a real strong point as far as lending credibility to the process that goes on. Now, whether it's one consultant or two consultants, that's hard to say. I guess, until you go seeking consultants you're not really sure what you're going to get. But I do believe that one has to be able to step back...hardest thing to do, hardest thing to do. If you are representing a business or a school district, for you to step back and look at that broader circumstance, I'll have to admit it's a struggle. It's a struggle for me. But at the same time, the thing that will help ensure the possibility of success with this type of fixed endpoint process is that people will step back and allow the study to continue and allow it to move forward in a way that isn't beset by biases at every turn and every decision. I think this is a good possibility for...well, you never say final solution, but a good possibility for solving it at least at this point. And I hope you'll consider this as a possibility in the short term. [LB323]

SENATOR SULLIVAN: Thank you, Mr. Habben. Any questions for him? Thank you for your testimony. Welcome. [LB323]

LARRY SCHERER: (Exhibit 2) Thank you. Good afternoon, Senator Sullivan. Members

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of the committee, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'm representing the Nebraska State Education Association. We support both LB182 and LB323. Jay Sears, my colleague, is going to have some comments on LB182 and I'll speak mostly to the school finance aspects. I really think Senator Davis did such a good job of explaining. He said most of what I was going to say. You know, the School Finance Review Commission and TEEOSA has been largely successful in...and especially in equalization. It has reduced the levies and it has assured that no matter how property poor a district is, each district has an amount of basic education funding. And that was not the case before. So, you know, I'm certainly...believe there is as many successes as there were shortcomings in it. And there's always both no matter what we try to do. The situation now is 25 years later and it might, you know...cars only run for so long. And I think the same is true of state aid formulas. After a while it's time to stop and do some shopping again and see what's...what are some of the new features out there? And I realize the Education Committee did a lot of good work two years ago, I think it was...looked at a number of other states. And the important element, I think Mr. Habben mentioned, is being detached, being independent somewhat of all the pressures of the day, having...taking a comprehensive look and just, you know, using a lot of research. I think research is a key piece to this. And, you know, they're...the OpenSky group did a little analysis a couple years ago on how successful TEEOSA has been. I think we need to do more of that. But, you know, early childhood education, the new prioritization of educational goals for the state, those things weren't as big of issues back then. And the ag land valuation, of course, is another thing that wasn't really anticipated. I think I'll leave it at that. There was...there were some interesting things at the time that made this maybe different but yet the same. Number one was, property taxes were an issue, probably always will be in the state. But there had been a...some competing proposals and one of them was to put \$100 million into a property tax credit type of program for one year. Well, that was going to go away and property taxes were going to spike back up unless something came in to replace it. There was also a sunset, basically, of the current formula so it was, you know, it was a situation where the Legislature put it...put the state itself in the position of needing to do something on property taxes. Whether that's a good idea or not I don't know. It worked at that time. So...but I really do think a lot of the conditions have changed. And this is not just to do the same thing over again, come up to the same ideas. Equalization is always going to be important. Property tax equity is always going to be important. Those things don't change. But how you get there may change a lot under the new conditions. Thank you. [LB323]

SENATOR SULLIVAN: Thank you, Mr. Scherer. I take it by your comments that you were involved in that...the work of that commission. [LB323]

LARRY SCHERER: Oh, yes, I was. I was a staff person for the group. [LB323]

SENATOR SULLIVAN: Okay. [LB323]

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LARRY SCHERER: And it was, you know, it was an interesting time. And we had...you know, I think the value in having people from--at that point in time--Class I sit down with people from Omaha and talk it out and listen to each other's problems, not just come to a hearing and, you know, point fingers and say, this is not working for me, really has a lot of value. And, you know, the Legislature has to be the leader in the end but it...there's value in education. And it was an education process for a lot of people including the Governor's representative, although Governor Orr did ultimately veto the bill (laugh) because of the tax increases. But it was something as a politician she felt she needed to do. But she did believe in many of the underlying things in the bill. She just didn't like the income tax increase... [LB323]

SENATOR SULLIVAN: Thank you. [LB323]

LARRY SCHERER: ...because nobody does. [LB323]

SENATOR SULLIVAN: Okay. Senator Groene. [LB323]

SENATOR GROENE: You said you were there, witnessed it? You said the small communities are there with the Omaha representatives? [LB323]

LARRY SCHERER: Right. [LB323]

SENATOR GROENE: Do you think any of those folks envisioned that equality meant that there would be school districts, more than three-fourths of them, would never get any equalization aid when they were sitting at that table? [LB323]

LARRY SCHERER: You know, I... [LB323]

SENATOR GROENE: That that was their definition of equality in tax? [LB323]

LARRY SCHERER: I think the anticipation was that the income component in the formula would remain strong... [LB323]

SENATOR GROENE: The 20 percent? [LB323]

LARRY SCHERER: ...and it would keep more of the rural districts at the table, so to speak. But over time, there were mechanical issues with it and political issues with it. Yes, I think that was not anticipated that... [LB323]

SENATOR GROENE: What's going on now? [LB323]

LARRY SCHERER: Yeah. [LB323]

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SENATOR GROENE: Thank you. [LB323]

LARRY SCHERER: Well, you can't anticipate 25 years down the road, but that's why there's value in having people sit down again and realizing what each other's problems are. [LB323]

SENATOR SULLIVAN: Any other questions for Mr. Scherer? Thank you. [LB323]

LARRY SCHERER: Thank you. [LB323]

SENATOR SULLIVAN: Welcome. [LB323]

JOHN BONAIUTO: Thank you. Senator Sullivan, members of the committee, John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, testifying on behalf of the Nebraska Association of School Boards who would like to be on record as supporting what Senator Davis is proposing here. I don't want to repeat what the other testifiers have said. I think that, if nothing else, having the study and the involvement and getting a broader buy-in again of looking at public school funding...I don't know what the outcome will be. But maybe there's a perception right now that something needs to be different whether that's the reality or not in the end. Having a hard look at it and having folks come back and getting that buy-in from policymakers, the Governor's office, that this is...public school funding is so critical. And the tenets of it are still the stability, predictability, a way to fund schools that has the ability to handle growing needs. All of those things, I think, are still part of what this group is going to have to struggle with and take a look at. One of the things Senator Davis and I had not had a chance to talk about is, in the bill he talks about the representation and from various classes there would be two members. And as I read that it doesn't say they are any particular membership as far as administrators or it could be school board members. And I know that school board members were interested in whether they could participate in this activity. And the other thing that I know that some of the school board members that were part of the legislative committee that talked about this bill liked was the fact that after the report, the committee did sunset. So (laugh) with that I'll conclude my testimony. [LB323]

SENATOR SULLIVAN: Thank you. Any questions for Mr. Bonaiuto? [LB323]

JOHN BONAIUTO: Thank you. [LB323]

SENATOR SULLIVAN: Thank you for your testimony. Welcome. [LB323]

RENEE FRY: (Exhibit 3) Thank you. Good afternoon, Madam Chair and members of the Education Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. And I'm here today to testify in support of LB323. We greatly appreciate the efforts of Senators Sullivan, Davis, and others to introduce

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significant changes to the state aid formula. We recognize that the issues at hand are very complex and may be difficult to address in the context of the legislative session. And to echo Senator Sullivan's recent comments, there will be no silver bullet. However, we believe that LB182 and LB323 will provide an important opportunity to reevaluate our state system of school finance in a comprehensive way. These bills would serve a similar purpose to the School Finance Review Commission created in the late 1980s to examine the state's school funding system and our reliance on property taxes to fund K-12 education. While our education system, our economy, and our state have changed significantly in the past 25 years since the original School Finance Review Commission report was released, many things remain the same. At the time the commission was established, state aid to education was declining. Likewise, in fiscal year '13 we hit a historic low in state support for K-12 as a share of the economy since the implementation of TEEOSA. While we bounced back slightly, the projections in the Governor's budget would take us back to that historically low level. I do have a chart on...that illustrates that. Furthermore, at the time of the commission's recommendations, Nebraska ranked 49th nationally for the percentage of K-12 education funded by state sources in 1990 and Nebraska still ranked 49th in 2012, the latest the numbers are available. And there's a chart in your handout of that as well. In the report issued by the School Finance Review Commission in 1990, the commission found that the burden on property for school support is excessive. In fact, every major tax report in Nebraska since 1962 has found a low level of state support for K-12 education and heavy reliance on property taxes. The commission also found that the historic resistance to greater equalization of school fiscal support in Nebraska was closely related to the inability of Nebraska policymakers to reach consensus on what constitutes wealth in terms of school district resources and in terms of taxpayers' ability to pay for educational services. Ideally, state revenue comes from a balanced mix of property, income, and sales taxes, sometimes referred to as a three-legged stool. This maintains stable funding for schools and other services and spreads taxes more equitably. Nebraska's three-legged stool is out of balance as property taxes account for 36 percent of revenue collected while 31 percent comes from sales taxes and 25 percent from income taxes. This has ramifications for school funding and puts inordinate pressure on some groups to pay for key services. I will note that the Tax Modernization Committee, their number one recommendation for property taxes was to increase the state aid commitment to schools to offset property tax use and reduce property taxes as a share of state and local taxes. Presently, real property value is the primary factor used to determine how much money a community has to pay for its schools. This ignores other important measures of community wealth such as income. This scenario has placed a lot of pressure on our farmers and ranchers to pay for schools. Rural Nebraskans now pay 40 percent more per person in combined property and income taxes than urban residents. This overreliance on our agricultural community to fund education could result in cuts to schools statewide if agricultural land values were to drop. Our state would benefit from a more balanced approach. Increased property taxes are not just a rural issue, however, as property tax rates have increased throughout Nebraska in recent years. Playing a

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role in the statewide increase in property taxes are recent cuts in state aid to schools and other local governments which has led to increased reliance on property taxes to fund the services these entities provide. Meanwhile, our schools have growing needs and challenges further complicating the Legislature's ability to lower property taxes without negatively impacting K-12 education. Nebraskans deeply care...value our public education system. We know that a strong K-12 education system expands economic opportunities for all and is foundational to the strength of our economy today and into the future. We support LB323 and LB182 because we believe that it's time for an opportunity to reevaluate our state system of school finance in a comprehensive way. Thank you, and I'd be happy to answer questions. [LB323]

SENATOR SULLIVAN: Thank you, Ms. Fry. Questions? I'd like your opinion on how a commission like this...does it give...in terms of its recommendations being forwarded to a policymaking body, does it turn out to be more binding or provide more flexibility to policymakers? [LB323]

RENEE FRY: You know, that's a great question. And I don't know if I could answer that other than from my own experience as legal counsel to the Speaker at the Legislature with Doug Kristensen. And at the time we...there were several different commissions for different issues that were complex and required someone who didn't really have a vested interest in the outcome to help provide recommendations. And so what we tended to see was that those recommendations, perhaps, were taken pretty seriously because they were coming from someone who wasn't emotionally attached to the outcome. And so certainly, I think, there's flexibility. The, you know, legislators are going to adjust as they see fit and understand the situation to be. But I do think that there's some merit in having someone who doesn't have any emotional attachment and who has some expertise but is at arm's length who can come in and provide some insight and expertise around the issues at hand. [LB323]

SENATOR SULLIVAN: Thank you. Any other questions? Thank you for your testimony. [LB323]

RENEE FRY: Thank you. [LB323]

SENATOR SULLIVAN: Anyone else wishing to speak in support? Welcome. [LB323]

JOHN HANSEN: Madam Chairwoman, members of the committee, for the record my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. And I am the president of the Nebraska Farmers Union and I am also their lobbyist. When I was first elected president of Nebraska Farmers Union in 1990, we were just beginning this process and based on my experience and my memory, I associate myself with the remarks of all of the folks who have gone before me today to testify. And it was a good effort, the gathering of facts and gathering of information. And it did help facilitate buy-in. And we did make, I

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think, a good-faith effort. And I think there are some reasons why, while we did make progress, we did not follow through and continue with those commitments as we had hoped. And so the situation that we now find ourselves in, especially those of us who represent production agriculture, is that the way that we finance schools now, more so than it's ever been in my tour of duty, puts those folks who want and need quality education for their kids in conflict with those folks who pay a disproportional share of the costs of K-12 education. That is regrettable. It was one of the issues that we dealt with 25 years ago and hoped to come up with a more equitable mix so that everyone had skin in the game. But as we see more and more depopulation, we also see rural landowners badly outnumbered at the ballot box. And so we see folks in town with very small amounts of skin in the funding game helping control the final budget that is financed through the folks who own ag land. And so the...we're at a place where the tax burden is now distorting economic activity. And so that's the point at which you have to look at that mix. So we are in support of Senator Davis' effort and the bill to follow. We need to develop some kind of a process to gather more information, hopefully get stakeholders back together, and the more information we have, the more buy-in we have, it is our hope that we find ways to better appreciate the situation we're in and deal with it in a way that leaves us all feeling good about what we're doing. And with that, I would end my testimony and be glad to answer any questions if I could. [LB323]

SENATOR SULLIVAN: Thank you, Mr. Hansen. Any questions for him? Senator Groene. [LB323]

SENATOR GROENE: Do you remember the basis of the committee back in '88, what their findings were? I mean it was... [LB323]

JOHN HANSEN: As about everything else in 1988, vaguely. (Laughter) [LB323]

SENATOR GROENE: But was their findings more on how it should be paid for proportionally, the three-leg stool? [LB323]

JOHN HANSEN: Senator, before I would comment--and it's a fair question--I would have to go back and revisit it. I remember it being a part of the mix of what we were doing relative to LB1059. [LB323]

SENATOR GROENE: Where I'm getting at is, was this formula part of that committee's or was that something that came later? Did that committee recommend that we fund education on a formula on autopilot? Or was that something Senator Raikes came up with later? [LB323]

JOHN HANSEN: I don't remember that it was. I do remember that the starting place was to equalize the tax disparity between districts which was LB1059 and that the clear hope on the part of a lot of the players on all sides of the issue was to get to a more equitable

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mix of funding the total cost of K-12 education. And shortly after that somewhat politically painful effort that we went forward and did, it was the right thing to do, so in my case, those school districts whose tax valuations and loads either went up or down thought it was either a good or bad idea depending on where they were. But we said we had to do that in order to be able to justify additional income and sales contribution to funding. And, you know, part of what happened was because of a legal crisis created by the MAPCO decision. We were...how do we value real and personal property was a major...took up a major amount of time and legal and political energy in the years that followed that. We weren't moving forward as fast as we had hoped. Governor Nelson did put together a property tax review committee to try to follow-up on that. I spent 18 months on that committee. We came one vote short of having the two-thirds majority that we needed to recommend that income and sales make up 55 percent of that mix. And in the absence of that one vote that we did not have as a result of an absence on the committee that day by a...for the proposal vote, no other amendment...no other policy was really...we didn't play with the percentages to see where we went from there. And so there's been a bunch of things we've done since then. But we did make, I thought, at least for a good ten years, a good-faith effort in a variety of ways to try to move forward. And of course we've had citizen initiatives on both sides of the issue; 411 and 412 were efforts to follow through on that, 413, our view is a view to go backwards. So we're...we've been sort of at a standstill as to how we deal with this issue, but at...that standstill has not worked to the advantage of agriculture as ag land valuations have soared. [LB323]

SENATOR GROENE: Your 55 percent sales tax, income tax, were you willing to admit ag property tax should fund 45 percent of education? Isn't that where we're at a little bit? [LB323]

JOHN HANSEN: Well, we were... [LB323]

SENATOR GROENE: Or are you talking about each individual district? No individual district was more than 45 percent? [LB323]

JOHN HANSEN: The total cost of K-12 education should be about 55 percent income and sales and ag would be 45. [LB323]

SENATOR GROENE: In the individual districts? [LB323]

JOHN HANSEN: Yeah. And we were trying to increase the total amount of income and sales in the mix. And we were well below that at that point. [LB323]

SENATOR SULLIVAN: Any other questions for Mr. Hansen? [LB323]

SENATOR GROENE: Thank you. Thank you. [LB323]

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SENATOR SULLIVAN: Thank you for your testimony. [LB323]

JOHN HANSEN: Thank you. Good luck. (Laughter) [LB323]

SENATOR SULLIVAN: More testimony in support? Please come forward. [LB323]

ROGER MEYER: We're still on LB323? [LB323]

SENATOR SULLIVAN: Yes, we are, sir. [LB323]

ROGER MEYER: Madam Chairman and committee, my name is Roger Meyer. I'm a retired physician from Utica, Nebraska, and live out there on some nice ag land. [LB323]

SENATOR SULLIVAN: Could you spell your name, please, sir? [LB323]

ROGER MEYER: Roger Meyer, R-o-g-e-r M-e-y-e-r. Property tax relief has been something that I really think is very necessary. When corn was \$8 or \$9...or \$7 or \$8 a bushel, it might not have made so much difference. But at that time, the input went up for fertilizer and everything else. And when corn went back to \$3/\$3.50 a bushel, those things didn't come down. That makes property tax relief all the more important whether you're a landowner or you're farming your own land. The farmer is the one that's going to eventually bear the brunt of the problem. I also served on the Centennial School Board for 25 years, so I see both sides of needing the tax money as well as where it's coming from. But I really feel that education should be everybody's responsibility. And right now, it's just mainly property owners, mainly landowners that are bearing the brunt of this. In my mind, sales tax is the fair tax. Everybody that buys something is going to be paying some tax. I hate to see people, corporations, businesses taxed to death from income tax. I think that just slows down businesses in our state. I guess I...whatever can do to shift more and more to sales tax and a lot less property tax and possibly some less income tax would certainly be the way I think we should go. [LB323]

SENATOR SULLIVAN: Thank you, Mr. Meyer. Any questions? Senator Cook. [LB323]

SENATOR COOK: Thank you, Madam Chair. And thank you, Doctor, for testifying. Help me review my microeconomic theory for a few minutes, speaking of 19...the 1980s. (Laughter) So at one point, the price for--I'll use corn as the crop--you were receiving as much as \$7 per bushel at market for that. And you described that the inputs--fertilizer was an example that you offered--the price went up. So the...did the price go down because everybody was like, yay, let's grow corn and then the supply was so much that the price went down? [LB323]

ROGER MEYER: It's...I think, you know, I'm not an economics student. But as I read,

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it's always supply and demand. [LB323]

SENATOR COOK: Okay. [LB323]

ROGER MEYER: You know, when we're...when corn is low price, we sell a whole bunch of it to China and Russia and wherever we sell corn to. And when it goes back up, they look for other markets to buy from. [LB323]

SENATOR COOK: All right. Thank you. [LB323]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. Any more testimony in support of LB323? Anyone wishing to speak in opposition? Welcome. [LB323]

FRANK HARWOOD: (Exhibit 4) Thank you. Good afternoon, Senator Sullivan and members of the Education Committee. My name is Frank Harwood, F-r-a-n-k H-a-r-w-o-o-d. And I am the superintendent of Bellevue Public Schools. I am here today representing the Greater Nebraska Schools Association. The 24 member school districts of GNSA are responsible for the education of two-thirds of all Nebraska school-aged children. The purpose of GNSA is to collectively advocate for all Nebraska public school students. Today we are here to oppose LB323, but the opposition testimony is actually going to sound a lot like some of the proponent testimony. If not for LB182, we would probably be here testifying in support of LB323 because we do believe it is a good idea to have a commission or a committee that is looking at TEEOSA. The...where we oppose is the idea that it would be a one-time event. We feel like...that the ever-changing and diverse educational needs of the students of the state of Nebraska along with the changing economic situation makes it so that this should be an ongoing endeavor. The other issue where we have some opposition is in the selection of the committee. We feel like a committee that is appointed by the Governor and then ratified by the Legislature has the potential of becoming a very political situation. And we believe that the group that is charged with studying the process of funding public schools should do so with the intent of providing the best possible educational opportunities for all Nebraska students and as much as possible politics should be kept out of the process. Again, GNSA does support the formation of a committee to study TEEOSA. But we feel that the other bills have been introduced to set up a better process. I would be happy to answer any questions. [LB323]

SENATOR SULLIVAN: Thank you, Mr. Harwood. If you're advocating for the commission to be ongoing and to meet on a regular basis, what do you suppose that does or potentially to the stability of how we fund our schools? And might it add even more unpredictability? [LB323]

FRANK HARWOOD: I feel like...and this is where we get across from the...because we

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hadn't had this discussion as a group. But one of the things you would hope to see is that as TEEOSA has...the funding mechanism for TEEOSA has shifted over time, if there would have been an ongoing committee, you could have been...there could have been the monitoring of that shift from more of the three-legged stool to a couple of legs getting shorter or longer than the other ones. And then there could have been adjustments along the way. I would hope that the Education Committee would be taking that information and not necessarily taking sweeping action every year but if the committee was reporting on the facts on a regular basis, I think the committee could better react to the gradual changes understanding that there could be something significant in any one year and then you would...you could do that. So I think it adds greater long-term stability to the process. [LB323]

SENATOR SULLIVAN: Even though if you look at some of the actions of the Education Committee over time, they've pretty much done the same thing... [LB323]

FRANK HARWOOD: Right. I think what this committee does is a little bit what the other testimony has been, is that it does give...I think it gives the Education Committee another group that's doing more of an in-depth study continually and looking at things from year to year. I think that could be especially important when you start looking at term limits with the Legislature. And as we...more and more people are new to the body more often, a committee like this, I think, could give more stability. [LB323]

SENATOR SULLIVAN: Okay. Thank you. Any other questions for Mr. Harwood? Yes. [LB323]

SENATOR PANSING BROOKS: Thank you for being here, Mr. Harwood. I just wondered, since I had previously asked the question, do you have a suggestion on how the board or the makeup of the committee might be different? [LB323]

FRANK HARWOOD: And that actually...where it gets to be the difficult part is that, who makes that decision? And the...if the committee is...you know, it kind of depends on who they're reporting to. So if at the end the committee is reporting to the Education Committee, then it would make more sense to have the Education Committee be a bigger part of that. I think the key is, even if you looked at some of the stakeholder groups and had the stakeholder groups appoint someone versus...another way to do that would be...I mean, it could be a possibility. [LB323]

SENATOR PANSING BROOKS: Thank you. [LB323]

SENATOR SULLIVAN: Any other questions for Mr. Harwood? Senator Groene. [LB323]

SENATOR GROENE: What's your definition of a stakeholder? [LB323]

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FRANK HARWOOD: And I think that the stakeholders are the...I mean, the taxpayers would be a stakeholder. I think the education professionals would be a stakeholder. Certainly the Nebraska School Boards Association are a stakeholder. The Legislature clearly is a stakeholder. I mean, so there are a number of them. And I think that the difficult part in that kind of system is identifying which of the stakeholder groups actually get somebody on there without it being so large as to be too cumbersome. [LB323]

SENATOR SULLIVAN: Thank you for your testimony. [LB323]

FRANK HARWOOD: Thanks. [LB323]

SENATOR SULLIVAN: (Exhibit 5) Anyone else wishing to speak in opposition? Excuse me, I failed to note that we have a proponent with LB323 that has submitted a letter, David McCracken, representing the Nebraska Cattlemen and also on behalf of Nebraska Farm Bureau. Anyone else wishing to speak in a neutral capacity to LB323? Senator Davis, to close. [LB323]

SENATOR DAVIS: Thank you, Senator Sullivan. It's really nice to have such weak opposition--I guess that's what I would call it--or supportive opposition to the bill. And I don't have a significant problem with the recommendations that were made by GNSA. You know, essentially we tried to model our bill in large part upon the work that was done in 1988 because we felt that there was...that was a successful conclusion and that that would be a good model for us. I will just make a few observations. And so when I look at the committee today which is drastically different than what it was just a year ago, and that's what term limits does to a body, I think it's...it would be helpful to have this as an ongoing entity. But I'm recognizing the fact that that produces a significant fiscal note. And knowing that we all are trying to be cautious about that, we didn't extend it on beyond that. But the one thing I would remind you all of is that Senator Kolowski and Senator Sullivan and I and Senator Cook were in Crete I think it was a year ago. And so the president of the Norris board had come to speak to the group about tax funding and TEEOSA. And I remember her saying that she and her husband were farmers and that they had gotten to the point where even though she was a school board president, she was extremely concerned about how they were going to continue onward in light of the situation with high property taxes and what their farm would kick off. So we have to remember that agriculture is Nebraska's number one state (sic). We have to remember that taxes reduce income and reduce innovation on a farm or ranch, because if you don't have the resources available to invest more into your property, make...keep...stay cutting edge, you're going to fall behind our neighboring states. I don't think we want to do that. And I think it's very important that we reexamine the whole issue of school funding. And I'll just...you know, this is a little bit off the cuff, but we talked a lot this last summer about funding pre-K education. How are we going do that? That was nothing that was ever a part of the TEEOSA formula but, you know, it certainly impacts aid to education if we have a district that's doing a significant amount

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of pre-K which wasn't a part of this earlier law. So finding a new approach is valuable. I think a nonpartisan group that's outside the Education Committee takes out some of the polarization and some of the issues of fighting for my constituents, my constituents and not looking to the whole broad scope of Nebraska. That's what we're supposed to do is work for all the citizens of Nebraska, all the students of Nebraska, not just our own constituents. We sometimes lose sight of that. Thank you very much. I urge you to move the bill forward. Take any more questions and any amendments that you want to bring, I'd be glad to entertain. [LB323]

SENATOR SULLIVAN: Thank you, Senator Davis. Any questions for him? Thank you for your bill. [LB323]

SENATOR DAVIS: Thank you. [LB323]

SENATOR SULLIVAN: Um-hum. That closes the hearing on LB323. We will now move on to LB182 by Senator Haar. Welcome. [LB323]

SENATOR HAAR: Thank you. Well, the only...Madam Chair and committee, the only good thing I can think about term limits is that I can't run again. (Laughter) It is so much work, as all of us know, and it's well worth it, but... [LB182]

SENATOR SULLIVAN: Senator, can you introduce yourself? [LB182]

SENATOR HAAR: Oh, I'm sorry. We didn't do that. I'm state Senator Ken Haar, District 21, and I have two years left. (Laughter) So I can't run again. But I have some real concerns--having been on this committee for six years and in the body for six years--about...frankly, about term limits, for example, the lack of personal history in the body. I mean, we all struggle to gain that as quickly as we can but it just isn't here in many cases. And then our ability to make really big changes when they need to be made, I think, are very difficult with term limits in place. For example, you go back to...you know, and some people obviously should have been and were voted out of office. But some people really stood out and it took time. It took time in the (Legislature). Senator Jerome Warner who could answer anything about tax apparently...I never got to know him, but Senator Beutler is another example. And he was part of a process that took years and years just to connect the fact that ground water and surface water are somehow connected. You know, to build laws around that took a long time. Senator Raikes, Senator Withem, when it came to the changes in school and so on...so I'm concerned and LB182 addresses this somewhat. It creates the School Funding and Educational Outcomes Review Committee. And it's an advisory committee. It's an advisory committee. I guess what I would hope to do with this...and I have some prepared statements but I'm going to get off those because what I believe LB182 with some modifications, perhaps, could do is to add another perspective to the deliberations of the Ed Committee. Hopefully in its membership and its makeup it would bring some

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fresh eyes to the process, it would bring some experienced eyes to the process, and then some eyes with self interest, all those included in the membership of this committee, and again, a resource. One of my favorite books when we still did books (laugh) was the thesaurus. And I just noticed in the front of the...someone gave this to me on my 39th birthday. That's a long time ago. But I looked up the word advise. And that's the term I'd like to assign to this committee, at least my concept. And here are the other words that go along with it: advise, counsel, recommend, suggest, advocate, propose, submit, instruct, coach, guide, direct, all those kinds of things, and then I love this one, put a flea in one's ear. (Laughter) So I see this as a committee that would get together with a large range of experience and so on and advise the Education Committee. I just want to tell you right now that I have a letter from Speaker Hadley expressing some concerns that were also those of Speaker Adams and Speaker Flood that...against creating a kind of committee that would be creating policy which is a power reserved for the Legislature. And I don't see this as creating a policy. I don't see this committee as creating policy. I see this as a committee that has some history, that looks at things, and is advisory group. And one of the things that came up in the letter from Speaker Hadley was about who appoints the people to the committee and that would be of course...this would be an executive function. It would...so I would be more than happy to work with you to draft an amendment that would set out the terms for reappointment, that would actually give terms--we don't address that in the bill--to the people serving on this committee and how the committee would be appointed. But again, I would see this and stress that I believe this is a committee that would have some history. It would have some experience. We'd get together, talk about these things, and then advise the Education Committee. And we have some people following up here who were connected with a similar committee in the past and so I will stay around, listen to that, and then answer any questions you might have now and at the end. [LB182]

SENATOR SULLIVAN: Thank you, Senator Haar. Any questions for him now? Senator Pansing Brooks. [LB182]

SENATOR PANSING BROOKS: Thank you, Senator Haar, for coming. I appreciate it. Thank you, Madam Chair. I guess I was just interested, how do you see this committee...I'm the first to agree that I am at a steep learning curve and that I am the product of the bad part about term limits which is all sorts of studies have gone forward of which I was not the beneficiary to be a part of. [LB182]

SENATOR HAAR: Sure, sure. [LB182]

SENATOR PANSING BROOKS: And so I agree that there is a lot that could be done to help us get up to speed, to keep us up to speed. What types...I presume you wouldn't want this committee controlling what we would do or how we would think and only feeding us certain things. I'm sure that's not part of what you were thinking at all. But, of

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course, taken to its logical extension, it could...theoretically, it could become a committee that basically dictates to this committee what to do because they know better and they really are...so, I mean, I can see a teaching role. I can see a role that would help get people up to speed. We're having some of those issues in Judiciary right now with the prison reform issues. There are some really major bills that the ones of us who are new need to really grapple with and try to understand and we're behind the ball. We're just behind in what we know because of all these other committee hearings that went on priorly that we weren't a part of. So I just wonder, how do you see this? I mean, we have lobbyists who try to teach us things and they would think they are filling us in and that they are the knowledge of the and the history of the Legislature. I'm just interested how this committee doesn't become almost telling us what we should think and how we should go forward. [LB182]

SENATOR HAAR: Yeah, well, I would expect that each of us has the wisdom to understand when we're being told and, you know, the open mind to listen. And I think that's up to each of us even right now in this current situation. You've got to really be...you've got to listen and listen and listen but then make up your own mind. And I'm sure the other thing that would probably fit in to this: the kind of people on the committee, to decide to what extent you think their teaching makes sense. [LB182]

SENATOR PANSING BROOKS: Um-hum. And... [LB182]

SENATOR HAAR: But I feel that's always a challenge we have, like you say, from the lobbyists, from our constituents, from our spouses (laugh) and so on. We have to listen and listen and listen and then we have to make up our minds. So this committee would be given no power to...I mean, that's our responsibility as legislators, but...so I just...I don't really even see that as a danger, because I think you quickly figure out...we're all smart people here and we figure out quickly whether, you know, whether we're being told or whether we're being given advice or teaching or whatever. Yeah. [LB182]

SENATOR PANSING BROOKS: And just along the same lines, the term limits of this group interact with our terms limits and then, I mean, it's got to be on the right time frame and the right synchronization before we're the ones teaching people what had happened or...I mean, do you see that? [LB182]

SENATOR HAAR: Yes, it's like... [LB182]

SENATOR PANSING BROOKS: The people that had worked on the Judiciary bills have to teach some of the new people that are coming to Judiciary to be staff people. [LB182]

SENATOR HAAR: It is like making sausage, isn't it? (Laughter) [LB182]

SENATOR PANSING BROOKS: Thank you. [LB182]

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SENATOR HAAR: And again, something to be worked out would be the terms--and I didn't use the word term limits for this committee--but the terms of the committee. So... [LB182]

SENATOR PANSING BROOKS: I used term limits. Sorry. Yeah. [LB182]

SENATOR HAAR: Yeah, okay. I would hope at some point you'd have somebody like Senator Adams on, you know, who was here, or Senator Sullivan when she is termed out so that, again, it would be up to probably the Governor to select these people. But hopefully there would be a mix of people with experience but also some new eyes. [LB182]

SENATOR PANSING BROOKS: I hope he'd pick you, Senator Haar. (Laughter) [LB182]

SENATOR HAAR: Well, I think it would be interesting to serve on this committee. I really do. [LB182]

SENATOR SULLIVAN: Senator Groene. [LB182]

SENATOR GROENE: You...well, you didn't answer, but you pointed out the flaw in your bill. You don't have any terms for these folks. I mean, who would set those? Somebody...most legislation has...they serve four years or six years and alternating a third of them or something. [LB182]

SENATOR HAAR: Yeah, and again, I'd be happy to work with the committee to come up with that definition and to add it, probably even as an amendment, before...if it gets to the floor, so. [LB182]

SENATOR SULLIVAN: Thank you, Senator Haar. [LB182]

SENATOR HAAR: You bet. [LB182]

SENATOR SULLIVAN: You'll be here for closing. [LB182]

SENATOR HAAR: Thank you. [LB182]

SENATOR SULLIVAN: Proponent testimony on LB182. Welcome. [LB182]

MIKE DULANEY: (Exhibit 1) Thank you, Senator. Senator Sullivan, members of the Education Committee, my name is Mike Dulaney, M-i-k-e D-u-l-a-n-e-y, and I'm proud to be the executive director for the Nebraska Council of School Administrators. And I...my organization supports this bill. By comparison, LB323...I'm sure Senator Davis means

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well in his legislation. That's an ad hoc committee and that...and our belief is that that might be too soon. At this point, we believe a committee such as what Senator Haar proposes in LB182 gets us where we need to be right now, and that's a committee that monitors as we go along. What I passed...or had passed around to you is a brief summary of TEEOSA. Beginning in 1999 through 2007, I spent just under eight years writing, researching a little study, a little project, a history of TEEOSA. And I'm being facetious. It was a long history, 1,200 pages, spanning 57 different legislative bills that affected TEEOSA from conception to that point in time. It was a case study. What you see there is just a short summary of it, but I think it has some material that could be helpful to you at some point in time. Part of the original TEEOSA did include a committee, a monitoring committee, and I want to give, any chance I get, special recognition to those who actually made TEEOSA possible: Senator Withem...Speaker Withem, I'm sorry, and Scotty Moore, Senator Moore, when he was there, those two in particular but many others. I think there's some history about TEEOSA that is so unique that I don't know if it will ever be repeated. And, of course, Senator Davis talked about the commission that was supposed to be a one-year project and then during a long session such as we're in right now, they had come back and proposed this heavy piece of legislation, didn't happen that way, didn't get the work done, so they renewed it for a year. That's why it took two years. So in a short session, if you can imagine, a 60-day session, when they don't talk about big bills, big spending bills, they came forward with LB1059. It was born from a joint committee of the Education and Revenue Committees. That's extremely rare. I don't know when that's happened since. And it was an extraordinary effort. There was no question that the two pieces of that were Educational Opportunity and Tax Equity. I can tell you, having read and reread many times the transcripts, most of the discussion in 1990 had to do with Tax Equity, not Educational Opportunity. I'm biased. Because I work for an education group, obviously I think it should be the other way around. But that was the big concern at the time. And, of course, it's the big concern now too. What I believe Senator Haar is doing in LB182 is the right thing, and that is to revitalize this committee, this monitoring committee, that was eliminated when Senator Raikes was chair of this committee, of course, during the Great Recession when the Legislature was having to cut everything, jettison everything that had any type of expenditure they could. That committee was one of those that got taken out. And we didn't like it but we knew why they did it back in that time in the early 2000s. So what we like to see, at a very nominal cost...I believe the fiscal is \$15,000 a year. That's hardly a lot of money to monitor something as huge as TEEOSA. And I say huge both in terms of the expanse of the statutes that cover it but also how important it is to our state, the education of our kids. And Senator Haar correctly points out, it's not to replace the work of the Education Committee, that this is your domain. Changing law is your domain. But wouldn't it be nice to have a group out there that is doing statistical analysis of TEEOSA as we go from year to year and then reporting back to you the things that the committee finds going well or not going well? So what we'd like to do is see this come back into being. We think it's a good idea, nominal cost to the state, and high impact. And with that, I'll conclude my testimony. [LB182]

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SENATOR SULLIVAN: Thank you, Dr. Dulaney. Any questions for him? Can you clarify...so the joint committee of Revenue and Education, the outgrowth was LB1059? [LB182]

MIKE DULANEY: Yes. [LB182]

SENATOR SULLIVAN: But prior to that, there was this joint effort that really was what was in Senator Davis' bill but this one was the continuation... [LB182]

MIKE DULANEY: Yeah. [LB182]

SENATOR SULLIVAN: ...after LB1059 came into being. Is that correct? [LB182]

MIKE DULANEY: Yeah, and just so we know and we're very clear, the commission was the idea that Senator Withem in 1988 that had nothing to do with the joint committee. That was simply a committee comprised of some of the individuals that have already testified today. Other individuals who are no longer with us were a part of that. And they did do the deep research. They went to Kansas. They did the study. Many say that TEEOSA is founded on the Kansas model at the time. And that's true. That's what they did. But it wasn't an easy task for them. It took them two years to get there. So then when the bill was introduced in 1990, LB1059, it was referred to a special joint group, Education and Revenue Committees, and they are the ones...that joint entity had disposition over LB1059 and ultimately advanced it because LB1059 not only had the educational pieces in Chapter 79 but Chapter 77 as well. It increased sales tax, dedicated that to education, increased income tax, dedicated that to education, so it really was a joint effort. I hope in the future--and this is just me--I hope in the future if there's any major changes in policy that they go back to that model. It's so essential. You know, we have you on Revenue, but I think it really needs to be a joint effort of these two committees going forward. [LB182]

SENATOR SULLIVAN: But then that committee or commission continued to meet? Can you remember some of the outgrowths of that...of their work? [LB182]

MIKE DULANEY: Gosh, I have all of...I got documents that would indicate that because they did file reports each year. You know, and I...and, Senator, I don't know if you're getting to how successful were they? In terms of monitoring, I guess that would be something each individual...that age-old committee would have to report to you. I feel that the way Senator Haar has his committee structured would provide a good, perhaps better, mechanism for you to get that kind of input that this committee could use, because it's a little bit more diverse in makeup. Now, Senator Withem was an original member of that committee. And I can't tell you if he was voting or not. I know that never was a big issue back in the day but now it is as far as having nonlegislators and

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legislators being on the same committee. Now that's an issue. I don't really care about the voting part. That somebody can work out. But I do think what's lacking is just that constant flow of analysis. What's happening with the formula? Is it working well? When you pass changes, whether they be technical or substantive, are they yielding to you what you intend? Well, that is an important piece of work. I think this committee could do part of that. [LB182]

SENATOR SULLIVAN: Thank you. Any other questions for Dr. Dulaney? Senator Morfeld. [LB182]

SENATOR MORFELD: Just a quick statement: I want to thank you for putting this together, this history. I mean, I think a lot of what I have been lacking is some context. And I think Senator Pansing Brooks kind of mentioned that a little bit earlier. But that being said, some of the context here is very important. And I think that perhaps this committee or the...whatever Senator Haar is trying to create here would maybe help provide some of that on an ongoing basis which would be very useful for me and future members. So thank you. [LB182]

MIKE DULANEY: Thank you, Senator. I'll direct you to a Web site when I have a chance, because there's more. Now, what we have to... (Laughter) [LB182]

SENATOR MORFELD: The 20 pages isn't...that's not it? (Laugh) [LB182]

MIKE DULANEY: Yeah. We have to know that school organizations, school finance, and tax policy are all integral together. You cannot divorce them. They are together. And if you look at the history, sure enough, Class I's, that whole issue of Class I's, Class VIs, that was absolutely a part of all of this. And so I'd be happy to help you in any way for resources. [LB182]

SENATOR MORFELD: Thank you. [LB182]

SENATOR SULLIVAN: Senator Groene. [LB182]

SENATOR GROENE: This caught my right away. It says, "specific policy goals included state support to meet 45 percent of the General Fund operating expenditures of school districts." [LB182]

MIKE DULANEY: Yes. [LB182]

SENATOR GROENE: I just ran some quick numbers. [LB182]

MIKE DULANEY: Where is it? (Laugh) [LB182]

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SENATOR GROENE: Seventy and 30. [LB182]

MIKE DULANEY: Yeah. [LB182]

SENATOR GROENE: Seventy percent property tax, 30 the state. [LB182]

MIKE DULANEY: Yeah. [LB182]

SENATOR GROENE: Was there anywhere in...and when they talked about having a minimum levy? [LB182]

MIKE DULANEY: No. [LB182]

SENATOR GROENE: So local school districts would be forced to... [LB182]

MIKE DULANEY: No. Here...and that's the good...and thank you, Senator Groene, because that's a good question. No, how they were going to control tax levies--or mill levies, they could call them back then--was through capping this expenditures of schools. I'll bet you if I asked you to guess what the maximum expenditure lid was for TEEOSA, it might shock you. [LB182]

SENATOR GROENE: It's 4 or 6.5, I think... (inaudible). [LB182]

MIKE DULANEY: Six and a half percent, yeah. The spending lid was between 4.5 and 6.5. I mean, there are superintendents that would do somersaults for half of that. (Laughter) And yet that's where it was at the time. [LB182]

SENATOR GROENE: But I keep hearing from my larger school district that that lid controls them. [LB182]

MIKE DULANEY: Um-hum. Yeah, it does, because... [LB182]

SENATOR GROENE: Like a credit card limit, is what I told them. [LB182]

MIKE DULANEY: Right, I mean, for some schools, you can access X amount but you can't spend any more than what the second lid is going to offer or allow you. And that's the difference between school districts, which are under two lids, and all the other political subs which have their restricted funds lid, just one lid. [LB182]

SENATOR GROENE: So it is out of whack, what they believe and when it's 70 and 30 and... [LB182]

MIKE DULANEY: Whack is a strong word. (Laughter) [LB182]

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SENATOR HAAR: Or not strong enough. [LB182]

SENATOR SULLIVAN: Thank you, Dr. Dulaney. [LB182]

MIKE DULANEY: Thank you. [LB182]

SENATOR SULLIVAN: Welcome. [LB182]

MIKE LUCAS: (Exhibit 2) Hi. My name is Mike Lucas. I am superintendent of schools in York, Nebraska. And I'm here today representing STANCE. My name is M-i-k-e L-u-c-a-s. I e-mailed each of you all a funding story from York Public Schools yesterday as well as the Revenue and Appropriations Committee as well. But as a member of STANCE--and as you can see on the paper that's coming around, we are 13 member schools just in our second year of existence--we are here to support LB182. I'm not going to expand very much on what Dr. Dulaney eloquently said, but we have a group that feels that it...TEEOSA needs to be looked at. And you see again today in paper, e-mail yesterday afternoon, the York story. Later today you'll see the Wahoo story. You saw...you got the South Sioux City story earlier today, I believe, or your office aides did. And there are several other of our districts that feel compelled to share our funding story with you all. And so in that we support LB182 because of...after 25 years, we just feel it's time for at least a conversation about change. And as that leads to the property tax relief that we hear an awful lot about and that our story in York shows isn't coming to York, Nebraska, under our current format. So appreciate all that you do, always appreciate Senator Sullivan's openness and lines of communication and it would be very difficult to sit through hearings like this as often as you do, so my...I tip my hat to you. [LB182]

SENATOR SULLIVAN: Thank you, Dr. Lucas. [LB182]

MIKE LUCAS: Thank you. [LB182]

SENATOR SULLIVAN: Do you think that a commission like this--looking at the mission of STANCE, looking out for the interests of students in Nebraska statewide--do you think a commission like this can come closer to being in align with that mission, or is it simply an opportunity for differing...people of differing opinions to come to together and share their ideas? [LB182]

MIKE LUCAS: I think there's a chance. And to be honest with you, STANCE was formed and we take a lot of pride in unselfishness. And it's kind of hokey and it probably sounds corny but, as you can see on our letterhead and up at the top, we truly try and represent all of Nebraska's children. We...you know, and that includes Omaha. That includes Arthur County and everywhere in between. So I think...and that's part of the reason that

our group formed two years ago was to help with the discussion about our entire state not just, you know, large schools, small schools, and to be quite honest, to move away from the us versus them mentality that seemed pretty prevalent a couple years ago. So I think there is a chance and I think the time is right...or we, as an organization, think the time is right to renew the conversation with a renewed sense of purpose of looking at our entire state. And you have to take off, you know...it's my job to share the York story. It's Galen's job to share the Wahoo story. But we have to do that with an unselfish intent and in a willingness to work together for our entire state of Nebraska. That's...and I'm speaking to you as a non-Nebraskan. You know, I was born and raised in Florida and I'll always consider myself a Floridian. People will make fun of me, and that's fine. (Laughter) But Nebraska is a special place and...but we're not as special as we can be and should be and that's part of what...we want to help the state move forward. [LB182]

SENATOR SULLIVAN: Can you tell us a little bit more about the makeup of the schools that are members of STANCE? [LB182]

MIKE LUCAS: Yes, ma'am. So 13 districts...you can see down at the bottom, we're all mid-sized districts. None of...and whenever you get something from us, rest assured that it is coming to you after extensive conversation and dialog and normally dozens of e-mails through our superintendents and our board members. We don't have a paid lobbyist so whenever you get something from us, it's from a superintendent. And our board members help us with our testimony like you see here today. And most of our schools...and there's a great disparity between the schools even in our group. You look at South Sioux City, one of the most diverse districts in the state of Nebraska and very little agriculture land, very little valuation at all. And then you look at a place like Gothenburg which has a low levy, very great agricultural land base, and then everything in between. So we all have come together to try and help with educational policy. And it's not just about state aid. It's not just about the winners and losers mentality when the model comes out, because I can tell you, on August 13, 2015, York Public Schools is going to start the 2015-16 school year. We're going to have a great school year. Our student achievement scores are going to be above the state and national average. We're going to win a couple state championships. (Laughter) We're going to have great concerts, fine arts. We're going to have a great school year. We're going to start the '16-17 school year on August 14 and we're going to have another great school year. And we're going to do that with or without equalization. We're going to find a way. And that's how many of my colleagues feel. But we just feel compelled to get the message out to our patrons at this time that property tax relief isn't going to happen in our communities. And we feel compelled to share why. And I want to be very careful, because we obviously don't want to be disrespectful or upset any of you all, because you work extremely hard, and that's why I was very careful in the e-mail that I crafted you all yesterday afternoon. And we appreciate what you do, but we have to let our people know, with the real facts and figures that are before you, what's going on in our districts. [LB182]

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SENATOR SULLIVAN: Thank you. Any questions for Dr. Lucas? Senator Schnoor. [LB182]

SENATOR SCHNOOR: Yes. Excuse me, Mike. I certainly appreciate your good attitude. Sometimes, even though you're from Florida... (Laughter) [LB182]

MIKE LUCAS: I hear that a lot. [LB182]

SENATOR SCHNOOR: No, sometimes it's good to get somebody from...I don't...I'll say outsider, and that...I mean, don't take that offensively, but it...get somebody with a different perspective to look at issues. And that is...I feel is always a good thing. A question I have on your paper you handed out to us, you're using three schools as a comparison: York, Franklin, and West Point. Is there a reason that you picked those three? [LB182]

MIKE LUCAS: Yes, sir. I...my first superintendent's job was in Franklin, Nebraska. [LB182]

SENATOR SCHNOOR: Okay. [LB182]

MIKE LUCAS: And then I was elementary principal in West Point, Nebraska. So I just chose those because I know those communities and school districts and I didn't think they would throw too many things at me for comparing York to them (laughter) on that document. [LB182]

SENATOR SCHNOOR: Okay. I did...that was my...there are...you know, sometimes on opposite ends of the spectrum. So I didn't know why. [LB182]

MIKE LUCAS: Right. Yeah, I just have an intimate... [LB182]

SENATOR SCHNOOR: I was wondering if there was a reason that you picked those. [LB182]

MIKE LUCAS: Yes, sir. I just have an intimate knowledge of those districts. And again...and I go on to say in there, you know, it's not an us versus them. It's nothing like that. It's just, I know those places. I walked in those shoes. [LB182]

SENATOR SCHNOOR: Okay. Okay. [LB182]

MIKE LUCAS: Great school districts. [LB182]

SENATOR SCHNOOR: If you could...on your...let's see, you talked about devaluing ag

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to 65 percent which has come up and is going to come up again. [LB182]

MIKE LUCAS: Yes, sir. [LB182]

SENATOR SCHNOOR: Can you elaborate? I know that's not in the context of this bill but if you could, please, elaborate on it a little bit since it's in your letter? [LB182]

MIKE LUCAS: Yeah. Yes, sir. I hear that a lot. And a lot of folks in York County are excited about that. And they're of the assumption that that means that their taxes next year are going to be lower. And that paragraph goes on to state why they will not be in many districts that are ag rich because, with us losing state aid...and our example there in York is, I think, we're projected to lose \$445,000 or whatever it is. And if we recover just that amount in our property tax request, that's a 4.4 percent increase and that's just to flatline our revenue. That's not dealing with the declining federal revenue and so on. So districts that are...that have a lot of their ag land devalued from 75 to 65 percent sounds good to the folks down at the coffee shop, but what those districts are going to be forced to do, unless they want to cut programming, which is difficult to do for many of us, because we're at an all-time high with students with special needs, enrollment growth and so on, what those districts will have to do is raise their levy. And so the 75 to 65 helps out here. But it's going to hurt here when the levy gets raised. And then, to be real honest with you, the term local control takes on a real tough tinge in the church parking lot when the superintendents and board members get...spend an hour talking about the bible and then spend an hour in the parking lot with...a lot of biblical things aren't referenced when you're talking about property taxes. (Laughter) So. [LB182]

SENATOR SCHNOOR: I know exactly where you're coming from. [LB182]

MIKE LUCAS: Yes, sir. [LB182]

SENATOR SCHNOOR: I was on a school board for four years, so I'm with you. [LB182]

MIKE LUCAS: Yes, sir. [LB182]

SENATOR SCHNOOR: All right. Thank you, sir. [LB182]

MIKE LUCAS: Thank you. [LB182]

SENATOR SULLIVAN: Senator Groene. [LB182]

SENATOR GROENE: If you're equalized and they drop the...from 75 to 55 or 73 to 65, you're going to get more state aid. Because your local resources are less, but you'll get more state aid. [LB182]

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MIKE LUCAS: Yes, sir, there are numbers in there, and I don't have a copy of that in front of me. The numbers in there show that the schools would get, I think, \$25 million more in state aid but the loss in the valuation and earning power is, like, \$91 million. So it's still a loss of over \$60 million. And I got that from OpenSky and Renee Fry who you heard from earlier today...been a tremendous resource. [LB182]

SENATOR GROENE: That's possible, but I...you're losing what? Valuation of \$61 million, you're talking? [LB182]

MIKE LUCAS: Let me...it says on there. [LB182]

SENATOR GROENE: I didn't have a chance...of course, we don't have a chance to read it all, but... [LB182]

MIKE LUCAS: Actually, I gave out all my copies. (Laugh) Okay, so...and this is according to OpenSky. So the schools would lose approximately \$91 million a year based off of the 75 to 65 percent earning power. And then...so that reduction in local resources would get an increase in state aid, but that would be \$25 million, so you're still looking at a loss of \$66 million. [LB182]

SENATOR GROENE: Total money? [LB182]

MIKE LUCAS: Yes, sir. [LB182]

SENATOR GROENE: See, and that's what...I...it looks like your group is kind of frustrated like we are in our...my biggest school district, North Platte. We're at \$1.05. But when we...and so is, say...I'm not picking on Omaha, because they're the big boys, bigger than we're are, but they're \$1.05. But those citizens get matched by the state aid for each individual student, like, \$4,800 and when we're at \$1.05, we're only getting \$2,800 per student. And we only have 10 percent to 15 percent farmland mixed in there. So that's where the...you know, the nonequalized ones, we understand they're not getting anything. But some of the equalized ones, the proportion that...of the income tax and sales tax we pay to the state isn't coming back to us either. But I think that's where your...all your school districts sit in that. [LB182]

MIKE LUCAS: Yes, sir. And again, it's not about--and I want to be very clear--it's not just about our school districts. I don't want you to leave here thinking, oh, we're crying and whining about this or that, because we're not. We want Omaha and Lincoln to be extremely strong. Omaha and Lincoln, just those two districts alone, they educate 33 percent of the kids in our state. So as somebody who loves Nebraska, I want Omaha and Lincoln to be phenomenal. Phenomenal. That's what we need. But I also want Arthur County and Franklin and Wood River and everybody else to be phenomenal too. [LB182]

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SENATOR SULLIVAN: Yes, Senator Baker. [LB182]

SENATOR BAKER: Yes, thank you, Mike. We're talking a lot here about how schools will be funded. Isn't the real purpose of this bill and your testimony to support the study rather than trying to resolve it here at this table? (Laughter) [LB182]

MIKE LUCAS: Yes, sir. [LB182]

SENATOR BAKER: Thank you. [LB182]

MIKE LUCAS: Yes. And I might have gotten us off track, so I apologize for that. [LB182]

SENATOR SULLIVAN: Any other questions for Dr. Lucas? Thank you for your testimony. [LB182]

MIKE LUCAS: Thank you. [LB182]

SENATOR SULLIVAN: Welcome back. [LB182]

JON HABBEN: Thank you, Senator Sullivan. Members of the committee, my name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools Association. I see this bill as the extension of Senator Davis' bill, the idea that an ongoing effort to pay attention, whether the Legislature is in session or not, may be a helpful nother set of eyes for you. I don't see this as...you asked a very good question. Does this become, we're telling you what to do, and if you don't do it then we're going to beat you up at every turn because you didn't do what we, the study group, said? I don't see those things happening, because I...and maybe I'm naive. But as the Education Committee of the Legislature, you are in charge of whatever goes forward. I do think, though, that...and I served on the last year or two of the previous commission. I felt the discussion had value. I felt the discussion brought together some differing opinions. I thought the discussion was generally positive. I think there was a frustration on the part of the commission, though, that it was sort of...well, completely ignored. And so you kind of felt like you were in this discussion but did it really matter that you were in this discussion? And my only suggestion is--and it's true with Senator Davis' bill, and I think it's true with this bill--is if you see these as potentially helping the legislative committee bring focus and maybe divergent views, expertise and consultants, if you see that as something of value to the work that you do, that your statement of purpose, I think, becomes really important, because then you are basically framing both the discussion and the relationship with the legislative committee as you go forward with either or both of these bills. I do like the idea of an ongoing process. And part of the reason I like it is because, look how large a bill this is to the state of Nebraska. We get reminded of that over and over and over again. You can't deny that. It's huge. I think that merits this

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ongoing effort. And I think starting with a study that has some real depth to it and then moving beyond that in this type of a recurring effort to analyze it, it seems to make sense as a way to...for the legislative committee, it seems to make sense as a way for you to keep your hand on the discussion and be apprised of what those issues are maybe earlier than should they build up to something really explosive. But anyway, I think they have merit. And I think they may give you some opportunity to really grow this discussion and be able to get some good information. So with that, thank you. [LB182]

SENATOR SULLIVAN: Thank you, Mr. Habben. Any questions for him? Thank you for your testimony. Welcome. [LB182]

GALEN BOLDT: (Exhibit 3) Thank you. My name is Galen Boldt, G-a-l-e-n B-o-l-d-t, and I'm superintendent at Wahoo Public Schools. And first of all, I have to apologize for not getting this information to you sooner. As we heard from Mike he e-mailed that to you or somehow and Vern must have got it to you also. Somehow I feel like I'm being left out of the loop much as the closing of school last week seemed like I wasn't sure what my colleagues were doing when Wahoo was the only school that was open (laughter) and everybody else closed. So I'm hoping to get drawn back into that loop somewhere along the line. Senator Sullivan and members of the committee, thank you for the opportunity to share the Wahoo story. Mike referred to that, as we all have our stories. And I can't help but say this, that school year that Mike described for you in his testimony, that's a below average year in Wahoo. (Laughter) So just to get that on the record. The notion of what the tax modernization hearings last year gave us and then, of course, not being able to really figure out what was the right course of action to do, I think, gives us some direction about this property tax issue that we're all hearing about. What I have given you is some information about Wahoo. And I have highlighted...I've given you the specifics on the spreadsheet, but the letter that I would ask you to consider sometime really talks to the Wahoo frustration over the last five years as many schools have experienced. At the top of that letter, you see the number \$2,161,192. That's the state aid that Wahoo received in 2010 and '11. And the number highlighted right under it, \$247,311.39, that is our projected state aid for the next school year. So the drop of state aid obviously is offset by what's happened with the values of our property. And we understand that's the way that this has worked. The notion that Senator Haar's bill calls for a review of the equity of tax and the burden that it distributes to all of us, I can't tell you how much the people of Wahoo support that. The notion that...we hear of property tax relief and it's like, okay, property tax relief. For many of us it's, like, no big deal. When it comes down to, what does that mean in my pocketbook, the example that I've given you, kind of in the middle of that page, goes back to two pieces of property in Wahoo, one a residential piece of property in 2010 and one a piece of farm ground. And at that time the levy was \$1.18969. You multiply those things out to find the property tax bill and they're exactly the same: \$1,189.69. Five years later, when we look to see what has happened with property assessments, that piece of residential property has risen 10 percent. And the spreadsheet information gives you all the numbers so you can see the

progression. But it basically rose 10 percent. The ag land rose 150 percent. Now, when you figure those tax bills out, that piece of residential property is now \$1,280.24 or an increase of about \$90 over those five years. That piece of farm ground, now that tax bill is \$2,909.64. That's an increase of not \$90, more than \$1,700. So when we're talking about the equity of what has happened in funding education, for my community, these are the kinds of frustrations that we look at. You heard Senator Davis in the previous bill talk about the president of the Board of Education at Norris, Patty Bentzinger...know Patty very well, had her kids at Norris in the 20 years I was fortunate to work with that district along with Dr. Baker. And when she talks about the notion that we don't know if we can continue in this school and...the school business in the way that we have in the past, I completely understand that. I'm more than willing to answer any kind of questions you might have about Wahoo. [LB182]

SENATOR SULLIVAN: Thank you, Mr. Boldt. My question is not so much directly about Wahoo. It's about how you see the conversations happening in this commission. How can we be sure that the conversation surrounds not only funding but the quality and priorities of education that we want for our students all across the state? [LB182]

GALEN BOLDT: Absolutely. I think a lot of the testimony that has been heard prior to this may be able to speak to that better than I can. And my support of the bill here is to simply say a review needs to be done to provide...and simply the example of Wahoo is that support of the review. But in terms of your question, one of the huge concepts that the Education Committee has on the table before you right now is a visioning. Think of the visioning bill that you want to have a look at what the vision of Nebraska education can be from here and into the future. Well, the funding aspect is simply one portion of that vision. To have some type of an advisory group...the thesaurus that Senator Haar brought out and all of those terms, they can help you to make those decisions. I'm certainly not the expert in how to tell you how to choose those commission members. I do very firmly believe, though, that there are folks in the notion of stakeholders, those taxpayers, those economists, the folks in the education business. There are a wide range of stakeholders that could be very important as contributors to helping you make decisions. The bottom line is, this committee makes the decisions. But you have so many other things to do as well, I really believe a commission like this helps you to gain that information while still having you be able to focus on other really important things. [LB182]

SENATOR SULLIVAN: Thank you. Senator Cook. [LB182]

SENATOR COOK: Thank you, Madam Chair. And thank you for coming today. You were about the fourth or fifth person to make the comparison between residential property value increases and farmland value increases. And I recognize there are different valuations among types of farm land. To what do you attribute the 150 percent increase? It's been suggested to this committee that that can be entirely attributed to

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outside investors recognizing what a great buy land is in Nebraska. Is that the case? Is that the only thing driving up farm land valuation? What is it? [LB182]

GALEN BOLDT: Well, again, I'm not the expert on that, but I have my opinion on it. (Laughter) [LB182]

SENATOR COOK: Sure. [LB182]

GALEN BOLDT: The notion and why I chose two pieces of property, that farmer lives somewhere on that farm probably, if not on the piece of ground that they're farming, they're going to live on an acreage somewhere close by just as the person that is a resident. These are two families that simply live in the district. One continues to just live there in a residence. One continues to simply farm the same ground. I promise you, that's the issue with...back to the reference to Patty Bentzinger at Norris. All those folks are doing is simply farming the ground. They did not look at the opportunity making some money and then buying more land as an investment. Obviously some folks did. There's no doubt that that happened. But if we look at the equity of what's happened between different businesses, the ag business community has gotten hit in the property tax area much harder than the rest. [LB182]

SENATOR COOK: Okay. Why did the value of the land go up 150 percent in the same time period that the residential land where people live also went up 10 percent? I didn't hear a response to that. [LB182]

GALEN BOLDT: Well, assessments... [LB182]

SENATOR COOK: The value of the land was up because... [LB182]

GALEN BOLDT: Yes. Yes. Assessments are simply a product of what land sales are doing. [LB182]

SENATOR COOK: Okay. [LB182]

GALEN BOLDT: And land sales have skyrocketed... [LB182]

SENATOR COOK: Okay. [LB182]

GALEN BOLDT: ...for a variety of reasons. [LB182]

SENATOR COOK: For a variety of reasons... [LB182]

GALEN BOLDT: But that's...yeah. [LB182]

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SENATOR COOK: ...which include? [LB182]

GALEN BOLDT: Absolutely, absolutely. [LB182]

SENATOR COOK: But the reasons include what? [LB182]

GALEN BOLDT: Well, the reasons include what you're getting at, is that somebody made money and they had...and they're buying property to...for another investment. [LB182]

SENATOR COOK: Any others? [LB182]

GALEN BOLDT: I'm not sure where you're going. [LB182]

SENATOR COOK: I want to know if there is another reason why the valuation of the farm land property would increase other than an outside investor coming to purchase land in that same area. Do you know why else land might go up? [LB182]

GALEN BOLDT: Well, I know it's because somebody is willing to pay that much more for land, whoever that is. [LB182]

SENATOR COOK: All right. Whoever that is. [LB182]

GALEN BOLDT: That's right. [LB182]

SENATOR COOK: That could be a local resident... [LB182]

GALEN BOLDT: Absolutely. [LB182]

SENATOR COOK: ...or a fellow Nebraska farmer. [LB182]

GALEN BOLDT: Absolutely. [LB182]

SENATOR COOK: Thank you. [LB182]

SENATOR SULLIVAN: Any other questions for Mr. Boldt? Thank you for your testimony. [LB182]

GALEN BOLDT: Thank you. [LB182]

SENATOR SULLIVAN: Welcome back. [LB182]

JOHN BONAIUTO: Thank you. Senator Sullivan, members of the committee, John

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Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o representing Nebraska Association of School Boards. The School Boards Association, through its legislation committee, also supports LB182 of Senator Haar's. We see you have two bills that deal with the issue of taking a look at, how is the policy that you set working in the field? And you will have models that you take a look at and, you know, they have distributing resources to schools and those models give you an idea of how things should look in the field. And I think that the value of the committees, the studies, is to hear from...directly from the stakeholders that...how things are working. And hopefully this would be a help to the Legislature as you do your work and look at making changes in the policies that you're setting for funding schools. But I think some of the things you've heard today about the interrelatedness of the Revenue Committee and the Education Committee and how what happens across the hall when the Revenue Committee meets and what you're going to have to work with...and will the current way that we distribute resources look the same when the dust settles? Those are all questions that I know that school board members are anxious to hear the answers to and wonder what will be happening as the expectations to lower property taxes or taxes in general because we hear not just property taxes but taxes period and the need to fund public education and how those two things balance. So we would ask that you look at the strengths of both of the bills and see if there's something there that would be helpful to work for you as you move forward with school funding policy. With that, I'll conclude my testimony. [LB182]

SENATOR SULLIVAN: Thank you, Mr. Bonaiuto. Any questions for John? Thank you. [LB182]

JOHN BONAIUTO: Thank you. [LB182]

SENATOR SULLIVAN: Welcome. [LB182]

JAY SEARS: Good afternoon, Senator Sullivan and members of the Education Committee. For the record, I'm Jay Sears, J-a-y S-e-a-r-s, and I represent the Nebraska State Education Association. Earlier, Larry Scherer testified in support of LB323 and also handed in testimony that was my written testimony for LB182. All I want to do in my testimony is point out a section of Senator Haar's bill that's very important to the NSEA members. And it has to do with looking at the goals of the Legislature on educating young people in the state of Nebraska and having that advisory committee report on those also. To me, being as I'm not the numbers person at NSEA and, yes, I was alive when the review committee was working and also LB1059 came about, but I was bothering Senator Kolowski's Millard West students and teachers at that time as a staff member, not as a paid lobbyist. The section is Section 4. And under Section 4, the pieces that we look at is: To assure that every Nebraskan is educated for success, the School Funding and Educational Outcomes Review Committee will: (1) review the mission of providing Nebraskans the opportunity to acquire the necessary skills and knowledge to be productive. One of the things that we see about this bill and why we

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support Senator Haar's bill also is, I think if you put the bills together, we're saying together that we need to look at the funding formula, but we also need to look at the outcomes. Is the funding formula driving what we want to have happen for young people in the state of Nebraska? It's an accountability piece. It's an advisory committee that says, yes, the formula is working, no, the formula is not working, here's some ways to tweak it, and here's where we're falling down on making sure that our children have the right skills. We need to tweak these policies also. So I'll end my testimony with, we're looking at both of those bills. As the Education Committee, you have the great opportunity to put together legislation that drives policy so that our young people can learn and our districts can provide the resources that they need to do that. So I'll end my testimony and answer any questions if you'd like. [LB182]

SENATOR SULLIVAN: Thank you, Mr. Sears. Any questions for him? Thank you very much. [LB182]

JAY SEARS: Thank you. [LB182]

SENATOR SULLIVAN: Welcome back. [LB182]

RENEE FRY: Thank you. Thank you. Madam Chair, members of the Education Committee, my name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. I don't feel I need to repeat my comments for LB182. We do support this bill as well. As a couple of individuals before me have commented, there does seem to be some value in merging both of these bills so that you do have an initial commission with committee work to follow. That was one of our concerns with LB182, was that it has a limited number of senators that are involved at the beginning and, as the way that we see it drafted, the Chair of Education would be involved but then obviously term limits would get in the way of that continued involvement. The other piece is that we think that there's a real value for having a consultant particularly in the beginning of that process. But we do really like the ongoing review that's done by LB182. And that's about all I have to say on that. I am happy to answer more questions about the ag land reduction in taxable value if anyone chooses to continue that conversation. Or we can do that elsewhere, but... [LB182]

SENATOR SULLIVAN: Thank you, Ms. Fry. [LB182]

RENEE FRY: ...thank you. [LB182]

SENATOR SULLIVAN: Any questions? [LB182]

SENATOR GROENE: Just one quick. [LB182]

SENATOR SULLIVAN: Senator Groene. [LB182]

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SENATOR GROENE: Didn't you folks do your own study and have one here a while back and Senator Davis kind of introduced bills associated what your study was on school finance? [LB182]

RENEE FRY: We did a primer. We looked at education funding over the interim and that was some of the research that I shared earlier that we find our state support for K-12 education is...we're 49th in the country in terms of the makeup of K-12 funding. And we're more reliant than every other state in the country on local revenue to fund K-12. So we have worked with Senator Davis and others. [LB182]

SENATOR GROENE: But didn't you come up with recommendations, too? [LB182]

RENEE FRY: Largely we would...we are concerned about the low level of state support and think that having a commission would allow us to have more of a conversation about how other states are funding K-12 with the idea that we could review that heavy reliance on property taxes and look for alternative ways to fund K-12 so that we are...we do have a more balanced three-legged stool for our tax code and how we're funding K-12. [LB182]

SENATOR GROENE: Thank you. [LB182]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB182]

SENATOR PANSING BROOKS: Could you please talk about whatever you said that you could keep talking about, because I missed what your...was it on previous discussions? Thank you. [LB182]

RENEE FRY: (Laugh) So there was a conversation with Mike Lucas about ag land values and reducing ag land valuation for taxation purposes from 75 to 65. [LB182]

SENATOR PANSING BROOKS: Yes. [LB182]

RENEE FRY: And I can speak to that a little bit more if you... [LB182]

SENATOR PANSING BROOKS: I would like that. Thank you. [LB182]

RENEE FRY: Okay. So there would be a net loss of \$66 million to K-12 education with that reduction in ag land value. For equalized districts, they would lose \$22.4 million but would receive \$20 million increase in state aid assuming that that additional state aid was appropriated. So it would replace 89.5 percent of the loss for equalized districts. For nonequalized districts, they would lose \$68.9 million from that reduction and get \$5.1 million in the state aid increase...replacing only 7.5 percent of that loss. And it

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looks like about 16 districts would be pushed over their \$1.05 levy, so they wouldn't even be able to replace that funding with an increase in their levy. And so what we've seen with that proposal is that it's...that depending on where an ag land producer lives, their treatment is very disparate. So, for example, if they live outside of North Platte or adjacent to North Platte or within the North Platte School District, what will happen is, the loss of revenue from their reduction will be passed on to the residential and commercial taxpayers in North Platte. For those areas that are highly rural where they don't have an urban tax base of residential and commercial to pass on to, what you see is that loss of revenue that doesn't have a replacement and so schools will either have to make significant cuts to their...to services or they'll end up replacing...increasing their levy to make up the lost revenue. And so we actually did do a small study for Senator Davis looking just at Lincoln County and how school districts would be impacted differently and I'd be happy to share that with the committee. [LB182]

SENATOR PANSING BROOKS: Okay. Great. Thank you. [LB182]

SENATOR SULLIVAN: Senator Groene. [LB182]

SENATOR GROENE: Since you mentioned North Platte, how could it possibly be passed on to the residential when we're already at \$1.05? If your house is \$100,000 and it's \$1.05, even though we lost ag land valuation, there's no passing on. It has to either come from state aid to education...in the formula, right? [LB182]

RENEE FRY: Yeah, my recollection... [LB182]

SENATOR GROENE: If you're talking about Hershey or somebody at \$0.95, yes, then they'll go to \$1.05. [LB182]

RENEE FRY: Right. [LB182]

SENATOR GROENE: And the farmers will pay a little more, too, because they're going up 10 cents. But the residential would get hit. [LB182]

RENEE FRY: Yeah, so what you're going to have happen over time as residential valuations increase, then you're not going to be able to reduce that levy. If I remember off the top of my head, in North Platte specifically--and I'll give you that Lincoln County study--in North Platte I think it was, like, 0.07 of a cent. So it was pretty negligible. So there's very, very little ag land. So someone in...just adjacent to North Platte then would see a much more significant benefit than someone in McPherson, for example. And so what would happen is, immediately they would get that benefit and there may not be a direct transfer to residential and commercial because they're at that \$1.05. But as residential and commercial are rebounding, then the school district isn't going to be able to lower their levy. So it's residential and commercial that are going to absorb, you

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know, those increases. And they're going to... [LB182]

SENATOR GROENE: Excuse me... [LB182]

RENEE FRY: Yeah. [LB182]

SENATOR GROENE: ...but I've never seen a school district, if there's 1 cent of state aid on the table, lower their levy. [LB182]

RENEE FRY: Well, I can tell you...I mean, there are spending caps. So now I can't tell you off the top of my head--and I know we've looked at this--but we have seen districts lowering their levy. I can't tell you off the top of my head, but this wouldn't be very hard for us to figure out whether any of those were equalized or not. But we have seen school districts who are lowering their levies as their resources grow. [LB182]

SENATOR GROENE: Talking to this Department of Education...part of the formula is, if your reserves get too high, you're forced to do it also, I believe. And a couple of districts in my area were forced to do it. But I don't think they did it on purpose. [LB182]

RENEE FRY: Yeah, and part of...you had asked earlier about the recommendations of the School Finance Review Commission. And I do have those here if you'd like to talk about those more. But one of them was to limit growth of public school budgets. That was a specific recommendation which is why that spending cap was put into place. [LB182]

SENATOR GROENE: Thank you. I don't want Roy to get on me again by going off track here, so... (Laughter) [LB182]

SENATOR SULLIVAN: Senator Baker. [LB182]

SENATOR BAKER: No. Thank you. That was going to be my comment. This is about creating a study committee not trying to solve the problems or why this is this way or why this is that way. That's what we're talking about: a bill to create the study committee. Thank you. [LB182]

SENATOR SULLIVAN: Any other questions? Thank you for your...oh. [LB182]

SENATOR PANSING BROOKS: I did ask, so it's my fault. Sorry about that. (Laughter) [LB182]

SENATOR SULLIVAN: Any other questions for... [LB182]

SENATOR PANSING BROOKS: Thank you very much. [LB182]

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SENATOR SULLIVAN: Thank you, Ms. Fry. [LB182]

RENEE FRY: Thank you. [LB182]

FRANK HARWOOD: Good afternoon again. [LB182]

SENATOR SULLIVAN: Welcome back. [LB182]

FRANK HARWOOD: (Exhibit 4) Frank Harwood, F-r-a-n-k H-a-r-w-o-o-d, representing the Greater Nebraska Schools Association and I've turned in my written testimony. And after the testimony on LB323, I don't necessarily have a lot left to offer, so I'd be happy to answer any questions. Otherwise, we'll move on. [LB182]

SENATOR SULLIVAN: All right. Any questions for Dr. Harwood? [LB182]

FRANK HARWOOD: Okay. [LB182]

SENATOR SULLIVAN: All right. Thank you very much. Any other proponent testimony? Anyone wishing to speak in opposition to LB182? Anyone wishing to speak in a neutral capacity? Welcome back. [LB182]

ROGER MEYER: Roger Meyer, R-o-g-e-r M-e-y-e-r. I guess in looking at the LB182, it says: to create School Funding and Educational Outcomes Review Committee. I hear the funding part and I hear the student outcomes part but I don't hear anything about the people who really should make this economically work and that's the educators. It just seems to me that there should be some evaluation of educators. I know there's good and bad in all occupations, but as I remember, being on the school board, it seemed like the administration was always very protective of new school teachers and they had two or three years before they became tenured and then there was really no way of dismissing them very easily at all. And it seemed like the worst comment I could ever get from the administration about a school teacher, a new school teacher, was, well, they're coming along. And so instead of going on to possibly finding a better person for this position, we continued on with the same individuals. And the reason I bring that up is that I remember at times when we would advertise for a teaching position, we would have as many as 100 applicants. So it wasn't that we really needed to put up with mediocrity. My kids now, of course, are long past being in high school, but just this last Christmas we had a talk about their education. And they talked about the teachers that never had class--they didn't learn anything--and then the real superb teachers that did teach them a lot. And even though as a parent at the time, I kind of thought that was going on...but it really did go on. I don't think Centennial is any different than any other school. A report just came out recently and we seem to be pretty average with the state. But I guess just back to my original comment, it just seems to me that's a piece missing

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here and this Educational Outcomes Review Committee would be to review the people who really have to make the difference about what happens with the money we spend and the outcome of our kids. Thank you. [LB182]

SENATOR SULLIVAN: Thank you, Mr. Meyer. Any questions for him? Senator Kolowski. [LB182]

SENATOR KOLOWSKI: Thank you, Madam Chair. Mr. Meyer, just to...if I can comment on one of your comments just to set the record straight, if the teachers are not doing their job, there is a way to get rid of them even if they're tenured. I have proof of that. If you'd talk to Mr. Sears behind you later, he'd be glad to fill you in. The last four teachers I got rid of at the high school I was principal, we had tenured teachers in every one of those situations. Just to let you know, it does exist. [LB182]

ROGER MEYER: It wasn't easy, I'll bet, was it? [LB182]

SENATOR KOLOWSKI: It was worth it in every sense of the word. [LB182]

ROGER MEYER: (Laugh) You didn't answer my question. It wasn't easy, was it? [LB182]

SENATOR KOLOWSKI: It's never easy. But it's worth it. Thank you. [LB182]

ROGER MEYER: Well, and I admire you as an administrator that would do that, because I...not all administrators would do that. [LB182]

SENATOR SULLIVAN: Thank you for your testimony. [LB182]

ROGER MEYER: Any other questions? [LB182]

SENATOR SULLIVAN: Thank you for your testimony. [LB182]

ROGER MEYER: Thank you. [LB182]

SENATOR SULLIVAN: Anyone else wishing to testify in a neutral capacity? Senator Haar. [LB182]

SENATOR HAAR: I would just like to say thank you to the committee for listening and for all the great testimony today. And again, we're more than willing to sit down and work with you to make this something that serves the Education Committee, because that's what we're talking about. But I do believe that there is a need for something to add continuity of a discussion of education and TEEOSA and the funding and so on in these days of in and out of the Legislature, so. [LB182]

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SENATOR SULLIVAN: Any other questions for Senator Haar? Senator Groene. [LB182]

SENATOR GROENE: Looking at Dr. Dulaney's information, it seems to me everybody thinks what they did in 1988, that study was perfect. So why don't we just go back and replug the numbers? Why don't we first look at the 1988 study and then see how far we've gone away from it with this formula that's been tweaked too many times and see how we are now compared to the way they envisioned in 1988? And then why don't we just plug the numbers in again on the comparisons from the other states and stuff? Why reinvent the wheel? [LB182]

SENATOR HAAR: Well, I guess I look at education as continually changing especially if you look at what's going on in the schools and what's going on in society and so...and I think...I mean, it's a good question. So I believe that would be one part of the information, would be to go back and get that. But just to take that study and try to plug new numbers into it would be sort of a one-time event. And I...what I'm talking about is an ongoing committee that might do exactly what you're talking about but continue to look at how things are progressing, so. [LB182]

SENATOR GROENE: Why do we need a committee? Why can't we work with one of the professors at one of the universities to just redo this study and pay them a consulting fee and just say, here's where we were supposed to be, here's where we're at. This is where the formula has taken us. And where does it need to be in today's dollars? I mean, I just can't understand why we're reinventing the wheel. [LB182]

SENATOR HAAR: Well, for one thing, you know, you can look back at a study and whatever that study came up with was a number and you can't...there's nothing to say that that was a good number. Maybe it is. I don't know. But that's why you go back and look at it. And I like the whole idea of a cross section of stakeholders, a cross section of people, not just going to somebody at the university. Now, you might use somebody at the university in that, but unfortunately you find that in the Legislature, you can't pass a number like 45 percent funding or something. It doesn't obligate future Legislatures to that. They can do whatever they want to do. So a big part of this ongoing committee would be to build a commitment to those kinds of numbers perhaps. That's probably the best answer I can give. I think it's a changing situation, changing relationships, and education is never static, so. [LB182]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB182]

SENATOR PANSING BROOKS: Okay. Just quickly, I heard somebody say that there was talk about a merger of the two bills. Is that what you're...do you agree to that or what... [LB182]

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SENATOR HAAR: I really am not familiar at this point with Senator Davis' bill. [LB182]

SENATOR PANSING BROOKS: Okay. [LB182]

SENATOR HAAR: I like the work he does, but I haven't looked at his bill and so...I mean, that's kind of up to the Education Committee, I believe, to make that kind of decision. [LB182]

SENATOR PANSING BROOKS: Okay. So you...but you talked about making an amendment on how people are brought to this. So when will that occur? [LB182]

SENATOR HAAR: Tom will work with your folks. [LB182]

SENATOR PANSING BROOKS: Okay. [LB182]

SENATOR HAAR: And in every way...you know, whichever. Or you might just say, here's what I want to do and, you know. [LB182]

SENATOR PANSING BROOKS: Okay. [LB182]

SENATOR HAAR: In some ways it's really your bill when it comes out of committee. I mean, I have to defend it, but I want to know what you feel you would need and... [LB182]

SENATOR SULLIVAN: Any other questions? Thank you. [LB182]

SENATOR HAAR: Thank you very much. [LB182]

SENATOR SULLIVAN: Yes. This closes the hearing on LB182. We will move right on to LB563. Welcome, Senator McCollister. [LB182]

SENATOR McCOLLISTER: Thank you, Chairwoman Sullivan and members of the Education Committee. I would hope this bill would be less contentious. I am John McCollister, J-o-h-n M-c-C-o-l-l-i-s-t-e-r. And I represent the 20th Legislative District in Omaha. I'm here to introduce LB563. I was asked to introduce this bill by two school districts in my legislative district to offer this bill to move the start date of the school year from September 1 to August 1. Of course, pending change would need to be made to move the end of the fiscal year from August 31 to July 31 in the next calendar year. The changes contemplated in LB563 would position a school year's fiscal year in closer alignment with its academic year. Recently, academic calendars have been trending toward earlier beginning and end dates. As the opening of the school year moved from September to August, staff is required to report for duty as early as July. When this occurs, school districts must comingle funds and move funds from one fiscal year to the

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other. It is well understood that the state aid calculations, certifications of property valuations, and current school budget's time lines are contemplated and interrelated processes. To cause these processes to be suddenly realigned to coincide with new adjustments in K-12 academic schedules would be challenging to say the least. LB563 is being offered as a conversation starter about the idea of allowing school districts to start the academic year with a baseline budget line with the start of the academic year and then to add a supplemental budget on which the rest of the year could be planned after property valuations have been certified. I'll be happy to answer questions if I can. However, the individuals who brought this idea to me are here today and will help explain more fully their interest in making the changes contemplated in LB563. [LB563]

SENATOR SULLIVAN: Thank you, Senator. [LB563]

SENATOR McCOLLISTER: Thank you. [LB563]

SENATOR SULLIVAN: Any questions for Senator McCollister? Senator Baker. [LB182]

SENATOR BAKER: Yes, thank you. Thank you, Senator McCollister. There's a matter of certifying this assessable value...assessed valuations which occurs in August. So you'd be a year behind if we'd move. I remember a date when it was July 1 to June 30. And then back in the 1980s we changed it. We had...one year we had a 14-month year and we changed it over. And then I was a few years in Iowa and it was...I was back to working with July 1. And they'd gone to gap accounting, so it suddenly had to convert too much...work as an accounting measure which was somewhat complicated. So I just...I'm trying to understand, I guess, the compelling reasons to change this from September 1 to August 1. [LB563]

SENATOR McCOLLISTER: Well, it's just harmonizing the start of the school calendar with the fiscal year. And I understand that it would be an accommodation and it would be a help to the school districts so they...if they could do that. I understand this bill, Senator, has quite a legislative history. And as the...I understand also that the school year was changed to move earlier to accommodate the football program. You probably know that as well. So, you know, this is, as the testimony indicated, a conversation starter. And I'm sure the Education Department will have something to say as well. So we're just beginning the process, sir. [LB563]

SENATOR SULLIVAN: Any other questions? Thank you. Will you be here for closing? [LB563]

SENATOR McCOLLISTER: I will not. [LB563]

SENATOR SULLIVAN: Okay. Thank you. [LB563]

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SENATOR McCOLLISTER: Thank you. You know, I'll answer the question if...depends how long the testimony goes. [LB563]

SENATOR SULLIVAN: Oh, okay. [LB563]

SENATOR McCOLLISTER: But I do need to leave around 4:45. Thank you. [LB563]

SENATOR SULLIVAN: Okay. All right. Very good. Welcome. [LB182]

BLANE McCANN: Thank you. Good afternoon, Madam Chair Sullivan and members of the Education Committee. My name is Blane McCann, B-l-a-n-e M-c-C-a-n-n. And I'm appearing today in support of LB563 as the superintendent of Westside Community Schools. I would like to thank Senator McCollister for introducing this bill. As you know, LB563 is a simple piece of legislation. It will...would push back the current start of the school fiscal year from September 1 to August 1. We support this change because it becomes more aligned with our academic year. Our faculty and staff typically end their summer breaks in late July and return to work in early August. Therefore, our academic year really begins on or before August 1 with professional development activities. The hope of LB563 is to make the academic year coincide with our fiscal year. That way, our budget process would coincide with the start of the academic year. It would not be using funds from the prior fiscal year to pay for items in a different academic year nor would the funding formula use student membership data from the previous year to calculate current budget amounts. I find the overlap of fiscal years impacting my ability to create efficient budgets as well as poor accounting procedures. Further, I believe that our schools need more predictability in the budget process. Districts would be able to easily understand their actual expenditures, what they were for that fiscal year compared to the future projected budgets. That way certain programs using district results would be able to be evaluated for possible expansion or reduction depending on the financial outlook of that year. Predictable budgets are more conducive for community involvement when making staffing and programmatic changes. I know in my community, if I were to recommend budget reductions that impacted staff and program, I would need to conduct budget hearings early in the school year to understand the community's opinion. Without accurate revenue projections, it's hard to budget efficiently. I realize to actually receive all local and state dollars is a very complicated process. It involves more challenges in LB563. I would propose the same...the state evaluate the possibility of school districts approving a proposed budget. The state that I came from, we had a July to June 30. We had a proposed budget in July so that we could spend money and then that budget was amended in October after property valuations came in. So if we had the ability to have a proposed budget on or before August 1 and then approve a final budget in October after property valuations and student counts are certified by the state of Nebraska, I see that as being helpful. I appreciate all the difficult tasks this committee and the full Legislature undertake on an annual basis. It's our opinion that this change would benefit school districts, the community, and is consistent with best

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practices. I thank you for your time and I'd be happy to answer any questions. [LB563]

SENATOR SULLIVAN: Thank you. Senator McCollister said that this was a discussion starter. Senator Baker said apparently at one time you...school districts operated on the same fiscal year as the state. [LB563]

BLANE McCANN: Right. [LB182]

SENATOR SULLIVAN: So where is the...where do we want the conversation to go? [LB182]

BLANE McCANN: Well, I find that having it overlapped, it's hard to really budget efficiently and the predictability. So for me to be able to make changes, I have to start making those early in the year. I don't know what my, you know, what the revenue pieces are going to be and my actual expenditures. So I would like to be able to have that clean break of here's the fiscal year, here's what a spent in it, here's what I'm going to project for my expenses in the following year. I just think overlapping that, for me, just...it doesn't make a lot of sense, but... [LB563]

SENATOR SULLIVAN: Now, under this scenario, you're...and looking back to your previous year budget, you're dropping off a year. So how do you figure your... [LB563]

BLANE McCANN: Dropping off a year? [LB563]

SENATOR SULLIVAN: Well, I mean, you're...it is September 1. You're going back to August 1. [LB563]

BLANE McCANN: Right, which is...the overlapping is, I'm already paying for supplies. I'm already paying for things that are going to be paid for out of the money that I'm allotted for beginning September 1. But my school year is already started and I'm expending funds that really should...in my mind should be expended in the next fiscal year, because that's what I'm being... [LB563]

SENATOR SULLIVAN: So what do you... [LB563]

BLANE McCANN: ...given that money for. [LB563]

SENATOR SULLIVAN: So what do you end up using? Or do you lose a year in what you're submitting to the state as General Fund operating expenditures? [LB563]

BLANE McCANN: Well, we...right. We still have that same fiscal year. But I'm expending, in my mind, anyway...maybe I'm...but in my mind I'm expending money for the next fiscal year in the prior year. [LB563]

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SENATOR SULLIVAN: Okay. All right. [LB563]

BLANE McCANN: Yeah. [LB563]

SENATOR SULLIVAN: Any other... [LB563]

BLANE McCANN: I find that overlap to be...yeah, confusing and difficult. [LB563]

SENATOR SULLIVAN: Okay. Any other questions? All right. Thank you. [LB563]

BLANE McCANN: Great. Thank you. [LB563]

SENATOR SULLIVAN: Any other testimony in support of LB563? Anyone wishing to speak in opposition? And anyone in a neutral capacity? Senator McCollister. [LB563]

SENATOR McCOLLISTER: Well, thank you, Senator Sullivan, members of the committee. We're grateful for the opportunity to present this bill. I would also like to mention that the Millard School District supports this bill as well. So you will be receiving a letter of support from them. Thank you very much and we're grateful for the help. [LB563]

SENATOR SULLIVAN: Very good. Just a minute. Senator Pansing Brooks. [LB563]

SENATOR PANSING BROOKS: Thank you very much, Madam Chair. Senator McCollister, I just wanted to note that we got done with this in 40 minutes less than you gave us the allotted time for, so...oh, ye of little faith. (Laughter) [LB563]

SENATOR McCOLLISTER: Point well taken. Point well taken. [LB563]

SENATOR PANSING BROOKS: Thank you. [LB563]

SENATOR McCOLLISTER: Thank you, Senator. [LB563]

SENATOR SULLIVAN: All right. Thank you very much. And along those lines, we...Senator Kolowski, I failed to mention this. Let's take a five-minute break and we will be back here. [LB563]

BREAK

SENATOR SULLIVAN: We'll now be...resume the hearing and start with LB343 by Senator Kolowski. Welcome, Senator. [LB343]

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SENATOR KOLOWSKI: (Exhibit 1) Good afternoon, Chairwoman Sullivan and members of the Education Committee. I am state Senator Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, and represent Legislative District 31 in southwest Omaha. In order to achieve the Education Committee goals of (1) establishing high expectations for all educators, parents, students, and education institutions; and (2) developing collaborative educational relationships with the entire community, a second tier of K-12 school funding outside of TEEOSA is needed. This second tier serves as a vehicle for investing in quality career and college readiness initiatives that increase the rigor, relevance, and relationships in Nebraska education. LB343 creates this second tier of funding for public schools that implement and offer quality career and college readiness programs including but not limited to programs of excellence such as advanced placement and international baccalaureate, dual enrollment, and career academies as defined in Section 79-777 of Nebraska statutes. I believe we've given you a copy of that section. It should be on your table in front of you. This legislation goes a step further to support collaboration by requiring school districts to work through their Educational Service Units to apply and receive funding for these programs. School districts who are currently offering career and college readiness programs are eligible to be reimbursed for each student who successfully completes one or more of these programs. This legislation is unique in that it holds schools accountable for the success of their students. School districts will only receive funding for their efforts once students have proven their mastery of the subject material. Unlike nearly every federal and state program, our plan for LB343 is not about body count. It's about mind count. School districts, through their Educational Service Unit, must apply for reimbursement to the Nebraska Department of Education which is charged with promulgating the rules and regulations to determine what mechanisms for successful student...what mechanisms will be there for successful student completion. It is important to note that the career and college readiness programs we have included in LB343 are all programs that have outside source credentialing components such as a national advanced placement, AP, test or earning a license as a certified medical assistant or getting a passing grade for a postsecondary institute or a credential by a major agricultural conglomerate. The intent of this legislation is to appropriate \$7 million from the General Fund to reimburse school districts who offer these career and college readiness programs. School districts will be reimbursed a percentage per student depending on the number of schools that apply for the funding and the number of students who successfully complete these programs. LB343 also creates the Career and College Readiness Fund (sic). Money in this fund is available through grants to support schools that are in the initial implementation phase of career and college readiness programs. School districts, through their Educational Service Units, may apply to the Nebraska Department of Education for a grant to offset the initial costs of implementation. A school district may not receive more than 49 percent of the total cost of implementation of a career and college readiness program. If the program is not successfully implemented within two years, the school district, through its Educational Service Unit, must return 100 percent of the grant to the department. The intent of this legislation is to appropriate \$3 million for the Career and

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College Readiness Fund (sic). We are requesting the Education Committee to consider the lottery Innovation Funds for this portion of our funding. I have worked on LB343 for nearly a year with a diverse group of stakeholders, many of whom you will hear from today. This legislation has statewide support from students and teachers, to school superintendents and school boards, to chambers of commerce and labor organizations. LB343 emphasizes local control with accountability. A school district's leadership decides their district's level of involvement. I truly believe LB343 is an educational game changer for the state of Nebraska. This is a vision that will grow over the years as we continue to build, enhance, and align the resources of the state to create a more fluid education system that supports children from birth through their postsecondary life and career. The delivery of any of these courses and experiences for any level of student should be open for educational and technological innovations. With LB343, we move closer to the delivery of high-quality education to any student, any course, anytime, and anywhere in the state. I would like to add that we have some modifications to make in the terms of timing for the allocation of the money. We'll be working with you, the department, and the Fiscal Office to address these individual modifications. Thank you for your time today. I'm happy to take any questions at this time. [LB343]

SENATOR SULLIVAN: Thank you, Senator Kolowski. Just a few questions. [LB343]

SENATOR KOLOWSKI: Sure. [LB343]

SENATOR SULLIVAN: So we've really got two components to getting this program off the ground: \$3 million, you're saying, is identified to provide grants... [LB343]

SENATOR KOLOWSKI: Yes. [LB343]

SENATOR SULLIVAN: ...for districts who want to start these programs... [LB343]

SENATOR KOLOWSKI: Yes, ma'am. [LB343]

SENATOR SULLIVAN: ...irrespective of some that might already be going on. [LB343]

SENATOR KOLOWSKI: Absolutely. [LB343]

SENATOR SULLIVAN: Okay. And then secondly would be the \$7 million out of the General Fund for reimbursement for successful completion. [LB343]

SENATOR KOLOWSKI: For those districts that are doing those things at this time, yes. [LB343]

SENATOR SULLIVAN: And again, that's reimbursement to...on 50 percent of the costs involved per student or what... [LB343]

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SENATOR KOLOWSKI: That is...no, that is totally an unknown number right now that the state Department of Ed will have to work with for that \$7 million first-time pool. And that could vary greatly depending on the number of students that are successfully completing one of those programs in any one of our high schools. [LB343]

SENATOR SULLIVAN: Okay. So the department determines what is defined as successful completion, right? [LB343]

SENATOR KOLOWSKI: This is...yes. And what we were looking at primarily would be a passing grade of C or better on a dual enrollment course, a three or better on an AP course, a four or better on an international baccalaureate course, and successful completion of a certification program such as a welding or plumber or anything else in any of the career path kind of areas. [LB343]

SENATOR SULLIVAN: And then the department also in its rules and regs defines what constitutes what you're reimbursing for? [LB343]

SENATOR KOLOWSKI: Right. The successful completion is the goal that every district would aim for. [LB343]

SENATOR SULLIVAN: Well, yes. But, I mean, what actual costs? Who determines those? [LB343]

SENATOR KOLOWSKI: The cost then would have to...we'd have to look at the pool of applicants for reimbursement. And that's the unknown aspect of, how much would they get back in this first year for any one of those successful completions? They'd have to work on an index. We've looked at some models of what we would do with a couple of districts, as we knew they had kids...students in these categories right now but we didn't put a dollar amount on that. The good thing is with the successful completion of this bill, passage of this bill...right now all districts get nothing for this at all. They would be getting something but we don't know what it would be until we find out what...the size of the pool for that \$7 million first year applications. [LB343]

SENATOR SULLIVAN: And admittedly, in some districts, depending upon what sort of courses they're offering, some would be requesting significantly more reimbursement than others depending upon... [LB343]

SENATOR KOLOWSKI: Depending on where districts are with their current programs that are in place. And that's also, again, why we have the ability to secure a grant to work on putting additional programs in place or your first-time programs if you don't have some right now. [LB343]

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SENATOR SULLIVAN: Okay. [LB343]

SENATOR KOLOWSKI: But a lot...many high schools have dual enrollment all over the state. Some have AP. Less have international baccalaureate. But a lot of have connections with their community colleges, colleges, or universities that might have something with a career path, especially the community colleges for the trade situations, trade schools. [LB343]

SENATOR SULLIVAN: Can you give me some background as to why you are involving ESUs in this process, what role...specific role are they playing? [LB343]

SENATOR KOLOWSKI: Excellent question, thank you. Yes, knowing that we have ESUs set up all over the state and every one of the districts that feed into each of those ESUs, when it...having worked in my own past setting up IB and AP programs, I know the time, the energy, the costs of this and everything else that you have to do to set up those programs within your district. I did those as a secondary director for a decade in Millard. That aspect is consuming. It's...it takes a great deal of effort to get those ready. And we wanted the ESUs to have a role in that to work as service units for any of the districts within their districts that come to that particular service unit because we could, instead of sending X number of teachers to an AP training conference in suburban Chicago, we could bring that training conference to Nebraska and host it at an ESU and save a great deal of travel money and time by doing some of those things. We're still...we're just looking at how things get done within each of those contexts and trying to be efficient and effective with already-established connectors that we have within our own state. [LB343]

SENATOR SULLIVAN: Okay. Thank you. Any other questions for Senator Kolowski? Senator Groene. [LB343]

SENATOR GROENE: In North Platte--I don't know all the details--but kids just go to the community college. Kids pay for their own tuition. Why are we giving money to the school district when it's the kid paying the tuition? Why wouldn't it work better through the community college? I mean, we have a setup and the community college from Milford the other day said they built a huge facility in Lincoln to work with the Lincoln Public Schools. So I don't see you mentioning the community colleges. [LB343]

SENATOR KOLOWSKI: Well, very much so. They're a part of our thoughts all the way through this with the career awareness possibilities of any of those particular programs. Senator Groene, the courses you're talking about are...would be dual enrollment courses if the student is getting high school credit as well as applying for the college credit. There would be a reimbursement back to the district as helping to set that up because they have to communicate and set to the standard that is required by the community college for that grade that student would be getting in that particular course.

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Let's say it's a welding course, which we need a lot of welders in Nebraska. That course, junior or senior year, if it's two years or whatever the partial time would be to get certified in that particular program, that student then would apply for, work with, be taught by a high school teacher probably with a Master's plus 18 credits because it's...usually you have to have a higher academic background as far as your own preparation is concerned to teach that course to the level of satisfaction of the community college. You're teaching them and grading them on the standards set by the community college. It's no longer you are a high school credit or high school... [LB343]

SENATOR GROENE: Why don't the student just go to the community college? It seems like... [LB343]

SENATOR KOLOWSKI: Well, they can... [LB343]

SENATOR GROENE: Why would the public schools compete with the community colleges? [LB343]

SENATOR KOLOWSKI: We're not competing at all. It's aligning and...alliance with them to do these things to help give more meat to the junior/senior year for every student. We'd like them to be college/career ready and willing and directed toward those areas that sometimes...one of the biggest concerns for high school principals is making sure that your students are taking the full level of courses all the way through high school. Junior/senior year, it plummets with some kids in some schools. This is for the proper advisement program or counseling program in your school, every student is on a pathway then to something they are selecting that you'll be able to align them with and give them that leg up, really, as far as getting into college credits at an earlier time than ever before and getting them into that program to be more successful at an earlier time. [LB343]

SENATOR GROENE: Their credit hours would transfer to the college... [LB343]

SENATOR KOLOWSKI: Yes, sir. [LB343]

SENATOR GROENE: ...and help their cost on their overall college expense... [LB343]

SENATOR KOLOWSKI: Right. [LB343]

SENATOR GROENE: ...because now they... [LB343]

SENATOR KOLOWSKI: And the state Department of Ed would work on all those things: the costs, the time allotment, all those things to get more power, more strength to the junior/senior year in high school for kids. [LB343]

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SENATOR GROENE: Thank you. [LB343]

SENATOR KOLOWSKI: Thank you. [LB343]

SENATOR SULLIVAN: Senator Morfeld. [LB343]

SENATOR MORFELD: Senator Kolowski--and I missed a little bit of your intro--I mean, part of this is making sure that we also encourage schools not only that are currently providing some of these enrichment programs but ones that aren't to...you're trying to encourage schools to adopt this. [LB343]

SENATOR KOLOWSKI: Absolutely. Absolutely. [LB343]

SENATOR MORFELD: Okay. You know... [LB343]

SENATOR KOLOWSKI: That's where the grants come in, sir. [LB343]

SENATOR MORFELD: Absolutely. You know, first I just want to thank you for bringing this. I mean, one of my big issues when I was in high school is that a lot of the curriculum that they were teaching didn't really resonate with me. That's not how I learned. So it took me two years of working full-time and two years of taking college courses I probably didn't need to take to kind of figure out what I wanted to do and what I'd be successful at. And I think that this is one step in encouraging schools to, you know, take into account some real-world curriculum. I think the other stuff is important, math, science, reading, all those things I think need to come first. But that may not be the career path that is best for some of these students just focusing just on those core curriculum. That's the...and just to note, I think that core curriculum is very important to being successful in any career... [LB343]

SENATOR KOLOWSKI: Absolutely. Absolutely. [LB343]

SENATOR MORFELD: ...whether it's technical or higher education or whatever the case may be. But I think that programs like this and not only high school but I think also in middle school... [LB343]

SENATOR KOLOWSKI: Absolutely. [LB343]

SENATOR MORFELD: ...will help students find their way, what they like and what they don't like, and will hopefully save them a lot of time and several years like me (laugh) in the future. So thank you. I appreciate you bringing this forward and being thoughtful about this. [LB343]

SENATOR KOLOWSKI: Thank you. And time is money in life as you well know. [LB343]

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SENATOR MORFELD: Yes, it is. [LB343]

SENATOR KOLOWSKI: And you've had that experience as well as many of us have had the same thing. I know Senator Baker understands what I'm talking about with the junior/senior year especially and the need for an excellent advisement program within middle school and high school to start directing your students toward options and opportunities, doing some things with interest tests and all the rest to find out where they want to go. Not every student needs to go to college. And if you're hearing that from different sources that they should or could or would, it's not going to happen. We have many options and many jobs that many students would like to get into besides college-oriented work. [LB343]

SENATOR MORFELD: Senator, with your background in education--maybe there's somebody else behind you that can answer this--is there currently...I know when I look at a profile of a school online...I've looked at some of them as people come up here, I look up online here. [LB343]

SENATOR KOLOWSKI: Sure. [LB343]

SENATOR MORFELD: One of their measurements of success, one of the things that they're proud of, is how many of their students go to college after which they should be proud of them. I'm not discounting at all. Do we have a metric of success for kids that maybe not necessarily just go to college but then also go on to a skilled field, career, technical school? Is there any measurement out there that the Department of Education looks at that schools... [LB343]

SENATOR KOLOWSKI: I'd have to ask the Department of Ed... [LB343]

SENATOR MORFELD: Okay. [LB343]

SENATOR KOLOWSKI: ...if they happen to collect any material or data on that. Just knowing, in my own instance in the school that I worked in, we had a high rate of going to college in the community but we also had students enter the military service, we had them into career paths like we're talking about with community colleges, different training programs that they might be getting into, and then some chose starting family life at that time depending on relationships in their lives. So it's as varied as kids are. And I think it's a great opportunity to...a greater opportunity that we have here to do this with more strength, more vision, more direction than we've ever had before if we put this together. It matches what you're hearing from the chambers of commerce and from the Governor's discussions as to where we need to be in our future as a state and we have...the difference with everything I've talked about so far today is, there's an outside source of evaluation. It's not an inside source in that district. That is unique. That is

different. And that stands alone, because there's no way anyone in that particular district could manipulate the grades or the accomplishments of the students. They have to perform. It's an option...they don't have any other way to show what they're able to do. And I think that's a tremendous validation of success and...for a student to have the confidence then to move on to the next pieces of success that they want in that particular career path, whatever that might be. [LB343]

SENATOR MORFELD: Excellent. Thank you, Senator. [LB343]

SENATOR KOLOWSKI: Thank you. [LB343]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB343]

SENATOR PANSING BROOKS: Okay. Thank you, Madam Chair. I just wanted to say thank you too, because I know that in Lincoln we've had a number of partnerships with Nebraska Wesleyan with the Lincoln Public Schools and the university and now with the Career Academy at Southeast Community College. There are wonderful opportunities for kids who don't...aren't necessarily excited and engaged in school for another four years or two more years of just book learning. And the importance of this for jobs and for our economy and preparing people to be ready for the work force...the manufacturing types of jobs and the businesses that are supporting this across the state is significant. Everybody sees this as a way to get people working or trained to be able to be ready for the jobs and the positions that we have available in Nebraska. So I really appreciate your doing this. Thank you. [LB343]

SENATOR KOLOWSKI: Thank you. I had 41 years of preparation watching classes graduate and you have years of frustration and years of great joy. And we...I know we can do better. And this idea was a culmination of a lot of different things that came together. Two states in the union are...that have anything like this in our data search that we did...and that's West Virginia and Indiana. But even those two states are not like this exactly. So they have something like it but not quite like it. And I think we're tilling some new ground here that's very exciting and has possibilities. The other aspect is, being separate from TEEOSA, is at the other end of the spectrum, but we must consider that educational landscape from birth all the way through postsecondary. But the early childhood things we've been looking at or working on, the early elementary things that we see going on with early childhood work all the way through that, things in the middle that we are still working on that can work on...this is at the high school end now. So we're not trying to make a big jump here. But we're not going to wait 14 years to find out how those 3-year-olds did. We're going to find out now by things coming through a system and put...keep putting all these building blocks in place. Senator Sullivan's bill that we looked at earlier this week, I think that's another aspect of this bigger picture and how the educational rubber band gets stretched so we understand our tasks a little better across the board. It's exciting time. And we can be leaders in this. [LB343]

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SENATOR SULLIVAN: Senator Cook. [LB343]

SENATOR COOK: Thank you, Madam Chair, and thank you, Senator Kolowski, for introducing this bill. I see through the first section, part 1, the language appears to be rather some intent language. It's kind of a touchy subject, but we meet students particularly presenting themselves at the community colleges because of their open access policies who require remedial work. [LB343]

SENATOR KOLOWSKI: Yes. [LB343]

SENATOR COOK: And I'm wondering if, in your research and in your talking with the different districts, if you talked about that spot, one of the "not limited tos" being that remedial work that some students require to get into the technical programs, especially the ones available in community college right now. [LB343]

SENATOR KOLOWSKI: Sure. I...have we worked on that or talked about it? I want to make sure I understand. [LB343]

SENATOR COOK: If it came up in the conversation, but because I think I see...I got a little bit excited when I saw "but not limited to" because we introduced a bill, I think, a couple of years ago where that... [LB343]

SENATOR KOLOWSKI: Sure. [LB343]

SENATOR COOK: ...where we initiated a conversation about the unfortunate numbers of students who graduate from our high schools here in the great state of Nebraska and are, as far as they know, prepared to enter postsecondary education. Yet when it's time to go into those programs of study, there is some remedial work to be done. So that's...when I saw "not limited to..." [LB343]

SENATOR KOLOWSKI: Yes. [LB343]

SENATOR COOK: ...perhaps some of the testifiers behind you can speak to it... [LB343]

SENATOR KOLOWSKI: Certainly. [LB343]

SENATOR COOK: ...but I was just curious and I know... [LB343]

SENATOR KOLOWSKI: Community college? [LB343]

SENATOR COOK: ...because you work ahead... [LB343]

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SENATOR KOLOWSKI: Yes. [LB343]

SENATOR COOK: ...I know you work all year, if that had come up, remedial work. [LB343]

SENATOR KOLOWSKI: It has with me. And I've talked about that with different groups at different times. Ken Bird, Dr. Bird, has talked about that very... [LB343]

SENATOR COOK: Yes, with Avenue Scholars. [LB343]

SENATOR KOLOWSKI: ...in-depth with in Avenue Scholars in Omaha. And all high school principals, if they hear that and listen to that, can learn from that, because the unpreparedness of some students, yet they're still getting a high school diploma, to me that's a crime. [LB343]

SENATOR COOK: Yeah. [LB343]

SENATOR KOLOWSKI: That is a crime. And I say that without one hesitation. Second on that, we should not have those...have that situation take place without working within remediating the...remediating those pieces before they're trying to get into UNO or Metro Community College... [LB343]

SENATOR COOK: Right. Right. [LB343]

SENATOR KOLOWSKI: ...and then can't pass the basic entrance test. [LB343]

SENATOR COOK: Okay. [LB343]

SENATOR KOLOWSKI: Something is wrong when that happens. [LB343]

SENATOR COOK: Yes. [LB343]

SENATOR KOLOWSKI: Now, you could have a lot of game playing depending on schools and districts and all that... [LB343]

SENATOR COOK: Sure. [LB343]

SENATOR KOLOWSKI: ...to make their graduation rate higher. But there's no competency... [LB343]

SENATOR COOK: Oh, okay. [LB343]

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SENATOR KOLOWSKI: ...on the part of the students. So if you play games, a lot of the games can be played and I'm not telling any stories about a school. [LB343]

SENATOR COOK: No. (Laugh) [LB343]

SENATOR KOLOWSKI: I'm just saying, things are what they are. And you have to recognize that and work on that and deal with that as every student...no student can be wasted. We don't have people we can waste in our society. [LB343]

SENATOR COOK: Right. [LB343]

SENATOR KOLOWSKI: And to have them as well-prepared as they possibly can to make their next steps into what they want to do is extremely important for every one of those families. [LB343]

SENATOR COOK: All right. Well, thank you very much for introducing the bill. [LB343]

SENATOR KOLOWSKI: Thank you. [LB343]

SENATOR SULLIVAN: Any other questions? Thank you, Senator. [LB343]

SENATOR KOLOWSKI: Thank you. [LB343]

SENATOR SULLIVAN: We'll now hear proponent testimony on LB343. Welcome. [LB343]

JIM SUTFIN: (Exhibit 2) Good afternoon, Senator Sullivan, Education Committee. My name is Jim Sutfin, J-i-m S-u-t-f-i-n. I'm the superintendent of the Millard Public Schools in Omaha, Nebraska. And I'm here to testify in support of LB343. We appreciate the opportunity to have this discussion with you. As I was preparing for the testimony, I was thinking back to the summertime when you had the input sessions and how we had an opportunity to discuss this with many of you. And then I realized that about half of the Education Committee has changed and so I want to kind of back up a little bit and share some more of that information with you. Two years ago, the Legislature identified and passed what was called the priority schools bill. And it became a pretty important piece of legislation in our state. And so, using a metaphor of a room, it took all of the 240-plus school districts in our state and it has put us all in the same room. And we know that if a school district or a school is not being successful, then there is a potential of intervention. So in other words, if the school district...the students are not being successful, then intervention would occur with that district to help students get there, to get to that standard. Another way to describe it is, they fell through the floor of the room. But the priority school bill comes up a little bit short in the fact that what we want to do as educators is we want to help our students penetrate the ceiling. We want to look for

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programs and opportunities for kids to far exceed what our expectations are. And LB343 gives us that opportunity. You'll be hearing testimony from a number of school districts today as well as many professional organizations that believe in the vision that Dr. Kolowski has been setting...or Senator Kolowski has been setting. So, the long and short of it: If you were to take a look at the career readiness piece, being able as a school district to have startup funds to start career ready programs gives you an opportunity to reach out to students that may not be college bound. Maybe they will be at the end of it. But there's rigor and relevancy particularly in the far right of the bookend of their career. If you thought about school being two ends of a bookend...I think Dr....Senator Kolowski was talking about early childhood on the far left and postsecondary on the far right. This is an opportunity to push down into lower grades. When you take a look at having a Career Academy, whether it be welding or an agronomy academy, whether it be something with medicine, something with coding, that academy is an opportunity and an option for students. The key to it, though, is accountability. We have to move past, as a state, that the accountability is determined only by the school district. And by creating a licensure or a licensing agent, comes through and certifies that the students have mastered the skills and that they are work ready, is probably one of the most essential components of this bill. It is essential that that sort of measurement occurs because of several reasons. One, we owe it to our kids. We owe it to our students to make sure that what we are doing with them is preparing them for a career. Number two, as a superintendent, if we were to start an academy, say in coding, and we were to receive the startup grants and we know that the continuation costs of that program are based upon our students earning a licensure, and we find that our students are not achieving the licensure, it's going to create intervention. When the ongoing funding is tied to student success, it will mobilize school districts to intervene. In the Millard Public Schools, this will stretch us. This will stretch us to develop career programs for our students that are not college bound but are looking for that rigor and relevance to their life. And this bill has an opportunity to help provide that funding. And I think Dr. Kolowski...or Senator Kolowski called it a game changer. We feel the same way. But you just moved over and just looked at that college side, because when kids come to high school, career or college, neither one is better than the other. It's about the personality. It's about the skill and the talent of that child. Now you hand me something to weld with, and it's going to be a mess. You hand it to some of our students and it's going to be really an outstanding product. But on the college side, dual enrollment is an opportunity to stretch rigor. And we know that the research is pretty clear that students that take one or more college courses during their high school career have a more successful transition to college. But again, it comes back to the accountability. A student that just participates, a student that only participates in that course and doesn't...is not successful, it's not enough. They need to be successful. The same thing is true with AP and IB. It rolls along the same line that that external accountability and that type of programming allows our students to be successful, and it pushes us as school districts to do a better job with kids. In closing, I want to just leave three thoughts. LB343 can provide leadership and direction from our

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state to grow programs that directly support career and college readiness. LB343 holds school districts accountable for excellence by having agencies outside of the school district measure the success. This is essential to this bill. And number three, LB343 has a funding mechanism outside of TEEOSA so it is for every school. When you hear the testimony of my colleagues today, you will hear them from all different walks in their professional life because this is being embraced statewide. Thank you for the time today. I appreciate the opportunity to share with you our perspective and would be willing to answer any questions you may have. Thank you. [LB343]

SENATOR SULLIVAN: Thank you, Dr. Sutfin. As you indicated, this proposal to be funded is outside of TEEOSA. It goes after General Funds. Are you concerned at all about the sustainability of that because of its...of accessing General Funds? [LB343]

JIM SUTFIN: You know, I'm concerned about the sustainability of lots of funding. I mean, it's...we're in a tough spot sometimes in our state. My hope would be that excellence would justify the investment and that this bill has a \$10 million total note, \$3 million hopefully from the lottery funds and \$7 million from General Fund, that through the excellence that it is...that it demonstrates, it will be worthy of the funding because it's going to grow jobs. It's going to grow the local economies. So worried? A little bit, but probably more hopeful that we would just seize the opportunity to move this forward with our kids and the product would be so far beyond our wildest imagination that we wouldn't want to do anything but continue to fund it and in fact grow it. [LB343]

SENATOR SULLIVAN: So what kind of mechanism other than the reimbursement for success, basically, do you have for accountability and to track the success of the program if anything? [LB343]

JIM SUTFIN: I think it's the AP exam, the grades on the AP exam, the IB exam as well as the dual enrollment credit and then the licensure. I really...the question that was asked to Senator Kolowski I think is an important question. What are the metrics that we're using to track kids through that P-16 Initiative into that work force? I'm not aware of that being there. I know Randy Schmailzl from Metro Community College will be testifying here in a little bit and he might know. So it creates an opportunity to do some research. [LB343]

SENATOR SULLIVAN: So in terms of reimbursement then for the extra cost, if you will, for providing these kinds of things, they will be reimbursed based on successful completion. But in the meantime, they become part of what you would consider to be the General Fund operating expenses of a district. So do we stand the possibility of...I don't...it's not necessarily a derogatory term, but I'm just trying to find explanation...you aren't really double-dipping then? [LB343]

JIM SUTFIN: I do not believe so. [LB343]

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SENATOR SULLIVAN: Okay, because you're...there will be some of the expenses that are ongoing but then you have to identify the extra things--am I right?--that you are requesting reimbursement for. [LB343]

JIM SUTFIN: Yes, ma'am. There...another way to be that...another way to look at that, too, is if there's 10,000 students that qualify and there's a \$7 million component, the Department of Ed has a lot of work to do at this on how...what that reimbursement would look like. But it is...it may not come close to being able to reimburse at a 50 percent rate or a 40 percent rate. But anything is better than what is happening now. We think it's important that it's a shared expense between the local school district and the state, because that creates the buy-in. But, you know, dual enrollment, AP, IB, and career academies, the startup costs are significant. The ongoing expenses are also significant. But it's not double. It's not double from a basic Rule 10 course. The credentials of the teaching staff are much more rigorous. Therefore, they earn higher compensation. The textbook costs are ridiculous. I'll give you an example: We're looking at a business adoption in our school district right now and we're looking at an Accounting II. There are only two textbooks manufacturers that provide this sort of book. The cost of that book is \$198 a book. I mean, it's...it has just gone out of sight with those sort of expenses and Accounting II is one that under good circumstances could potentially be a dual enrollment course. It's one that the school district wouldn't have to offer but needs to be able to offer for kids to become more college ready. Did that... [LB343]

SENATOR SULLIVAN: Thank you. [LB343]

JIM SUTFIN: Thank you. [LB343]

SENATOR SULLIVAN: Any questions for Dr. Sutfin? Thank you for your testimony. [LB343]

JIM SUTFIN: Thank you very much. [LB343]

SENATOR SULLIVAN: Is that your tea, or is... [LB343]

JIM SUTFIN: Oh, it is. Whoops. (Laugh) [LB343]

SENATOR SULLIVAN: Okay. Welcome. [LB343]

DAN NOVAK: (Exhibit 3) Welcome. I'm Dan Novak, D-a-n N-o-v-a-k, here to speak in support of LB343. I'd like to thank the Education Committee for considering LB343 which promotes and supports career and college readiness programs for the students of the state of Nebraska. I serve as the superintendent of the Elmwood-Murdock Public

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Schools. The Elmwood-Murdock Public Schools is a Class C2 school with 400 students located between Lincoln and Omaha in eastern Nebraska. For the past five years, the Elmwood-Murdock Public Schools has been offering dual credit courses for our juniors and seniors grade level students through the Southeast Nebraska Career Academy program, SENCAP, which is a consortium comprised of approximately 40 school districts in eastern and southeastern Nebraska. The consortium is aligned with Southeast Community College and offers over 500 high school students in southeast Nebraska the opportunity to take dual credit courses through Southeast Community College. Presently, Elmwood-Murdock has 26 of its 70 junior and senior class students enrolled in dual credit courses through Southeast Community College. Our goal is have students graduate from our district with 12 hours of college credit. We presently offer courses in the health sciences with an emphasis on nursing, human development, education, psychology, welding, algebra, sociology, entrepreneurship, and we're going to add composition and literature for 2015-16. I want to briefly mention two programs in our district which would have directly benefitted from this legislation and which will benefit if this legislation is enacted. First, our medical health program offers students involved in careers in the medical field to get an early start on focusing on their careers. In our school we have set up a replica of a care center or hospital room where students do practicum coursework under the direction of a registered nurse instructor. Over the past few years we've had a dozen students receive their BNA certificates by the end of their junior year which has allowed them to work in our local nursing homes and hospitals during the summer months and school year. A majority of these students have either completed or are in the process of completing a two- or four-year nursing program. The second program which has high demand is the college credit welding program we started two years ago. Students earn 12 hours of college credit during their junior and senior years. Due to the cost of the specialized equipment needed, we can only limit our enrollment to eight students per semester. As with the nursing program, the welding program came with a significant startup cost of nearly \$18,000. These programs require additional funding each and every year they are offered. Fortunately, we were able to find the funds to start this program and have found the dollars to maintain these programs. The funding provided in LB343 would help to make these programs sustainable. Most importantly, the startup grant component of LB343 would have been a great asset to our district and would be a great asset to any district in looking to start these types of programs for their students. LB343 supports the career and college readiness program offered in our district and would allow for the continuation and growth of these programs in not only our district but throughout the state. One of the positive aspects of LB343 is that it provides support for these types of programs regardless the size of school or the location of the school in our state. It treats students in Elmwood-Murdock the same as it treats students in Millard Public Schools. It truly is a bill for all Nebraska schools and students. And I mean all students: special needs students, poverty students, ELL students. It's for all students in Nebraska. Personally, I see this legislation as having the potential of making a significant practical impact as part of the state's P-16 Initiative as we look for positive ways to transition

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students from high school to career and colleges in our state. I appreciate your consideration of LB343. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Novak. Appreciate your testimony and insight on how this might be applied at the local level. But you already have the health sciences and the welding program started so you wouldn't necessarily go after startup dollars. [LB343]

DAN NOVAK: Unless we want to start a new program that we don't already have. [LB343]

SENATOR SULLIVAN: Okay. And you've...how long have you had the welding program and the health science? [LB343]

DAN NOVAK: This would be our... [LB343]

SENATOR SULLIVAN: Pardon? [LB343]

DAN NOVAK: Health sciences we've had for three years and this will be our second year of...third...second year of the welding program. [LB343]

SENATOR SULLIVAN: Okay. So these are programs that are up and going. [LB343]

DAN NOVAK: Um-hum. [LB343]

SENATOR SULLIVAN: And so under this scenario with LB343 you have of the, maybe, the ten students that are in the health sciences, if all of them...six...now, granted, the rules and regs haven't been promulgated by the department or whomever, but they have to successfully complete the program for then...for you to apply for...what reimbursement would you be applying for? [LB343]

DAN NOVAK: That would be the \$7 million of money that would be appropriated. [LB343]

SENATOR SULLIVAN: Well, yes, but what...for your own particular situation, what would you be asking reimbursement for? [LB343]

DAN NOVAK: For those ten students who are taking those...who have successfully completed those courses, for the additional dollars that it takes to continue and maintain those courses. [LB343]

SENATOR SULLIVAN: Just for those students? [LB343]

DAN NOVAK: Just for those students. [LB343]

SENATOR SULLIVAN: So whatever costs for that health science program would be prorated based on the successful completion of those ten students. Is that right? [LB343]

DAN NOVAK: That's what I believe. I mean, I look at it as a way to maintain those programs that we probably can't maintain or have a difficult time maintaining. With the loss to state funding, we have to make some choices. But it would...it's certainly not going to cover the cost of those programs. We're talking about what I would consider to be maybe a few hundred dollars to help support that. I think what's really important is it breaks a paradigm down for kids. And I don't know how you can put a cost to that. We have special needs students who are taking...for the first time are taking a college-level course and are passing those college-level courses. I have one student who is going to successfully complete 12 hours of welding and who came to me and said, I'm going to go on to Southeast Community College, because if I can pass 12 hours of the college level course, I might as well go on and complete that degree. I have a poverty kid who came in and said they were the first kid in their family to successfully complete a college-level course...was offered at the school. Because it was offered at the school, they didn't have to go...it broke that paradigm for that kid. That kid never thought they could ever take a college-level course. But we...through the program, they took the BNA course because they could get a job at the local nursing home, found out that the person was talented in that area and had a gift for that area and decided, you know, I want to go on to college. And I think that's what this...to me it...to me the money is the secondary thing. It's the paradigms that this begins to break down as we look at what the job and what the mission of a public school is, and that's to prepare those kids for the next step in their life. It's not an end. It's just a part of the journey to the end. And if the state...we could do something to promote that in our school districts, to promote that for all kids, there's a practical application for this whether they be the richest kid or the poorest kid, the smartest kid or the kid who struggles and has challenges every day. I think this program is...it has the chance to break those paradigms down and maybe level that playing field and give those kids hope because there is a way. Within your own school district, you can begin that process and see what you can do. So I think it's one of the things in my 33-year career that I feel is really well worth the time and the effort of what I've done, because so many kids don't believe they can do it. And as schools, we can show them they can do it and they can meet standards, high standards, and go on with their lives and do something very constructive and very, very good. So I come from that position in this. And I look at that special ed kid who thought, you know, I can't do that. They can do that. He's got a skill. He's got a talent. He's the kid who...I went out the other day. He's the kid who is showing the smartest kid in our class how to measure stuff with a ruler because he knows how to do these things. He knows how to manipulate these tools, because he's had to do it in his life so...and for that kid and for that young lady in poverty who said, this is the first college class I've

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ever...that anybody in my family has ever taken, I know where that kid is going to go. That kid is going on to college. That kid is going to be the first one because she has hope now that she can do that. And I don't know if our regular classes would have did that. I don't know if they would have did that for that kid. So I'm, you know, I'm speaking from that perspective. And I just really hope we take it into consideration, think strongly about what this can do for our kids in our state and how much it could help them for their futures. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Novak. Any questions? Thank you for your testimony. [LB343]

DAN NOVAK: I'd just like to thank Dr. Baker who was...who years ago came up with the idea of getting kids into career academies and is...really was one of the first guys to get up and say, kids...needs to look at careers. Not everybody can be this college ready, but career ready, we can get them into different parts of their life. [LB343]

SENATOR SULLIVAN: Okay. Thank you. [LB343]

DAN NOVAK: So I'd like... [LB343]

SENATOR SULLIVAN: Thank you. [LB343]

DAN NOVAK: ...to thank Dr. Baker for that. [LB343]

SENATOR SULLIVAN: Thank you. Welcome. [LB343]

GALEN BOLDT: (Exhibit 4) Greetings. Galen Boldt, superintendent of Wahoo Public Schools. And I am here testifying on behalf of STANCE. They'll let me do my own work but when it comes to the work of STANCE, they like to keep me to the script. (Laughter) We'd like to support LB343. Thank you for the opportunity to voice that support. Senator Kolowski's bill will provide funding to support rigor, career and college readiness, and collaborative educational relationships. We think it's important to note that the bill's author has a viewpoint that combines the experience of a veteran teacher and administrator with someone who now deals with establishing policy to support the very best of those experiences. Schools across Nebraska have been challenged to help students to pursue their hopes and dreams through courses that are relevant to important interests in their lives. We believe that with the emphasis on rigor and career and college readiness, this bill captures a wide array of incentives to help schools make a connection to continued learning opportunities. Those opportunities extend from connections with businesses within and around our communities who can offer hands-on experiences from those trained in specialized skills, to postsecondary institutions where students can earn college credits. They can be applied to their future programs of study. The bill makes a clear connection to the P-16 initiative that has been

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identified as a powerful partnership with the secondary and postsecondary community for better communications and coordination to benefit countless students. The accountability component that requires recognized courses of rigor to demonstrate an element of completion and competency is an important component of the legislation. Reimbursement for the expenses required to implement such programs of rigor will allow schools the chance to fund them outside of the current TEEOSA formula, an important consideration and incentive. The STANCE schools are supportive of the mechanisms included for the funding requirements of the bill but do not have the expertise or a position that speaks to the impact that redirected funds would have on other programs. We do have the expertise, however, to agree that prioritizing the support of college and career readiness is an important step in realizing the vision for education in Nebraska for the coming years. In summary, the 13 member schools in STANCE which represent close to 9 percent of the public students in our great state are fully supportive of Senator Kolowski's LB343 moving forward. Be happy to answer any questions. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Boldt. Any questions for him? Thank you for your testimony. [LB343]

GALEN BOLDT: Thank you. [LB343]

SENATOR SULLIVAN: Welcome. [LB343]

JENNIFER CREAGER: (Exhibit 5) Thank you. Senator Sullivan, members of the committee, for the record my name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r. I am the director of public policy for the Greater Omaha Chamber. I will be very brief because I have two little people expecting me to pick them up very shortly. (Laughter) I have, I think, passed out a letter from our president expressing our support for LB343. In light of that, I will only say that we see immediate work force needs in our own community. Targeting work force programs to those needs, especially targeting workers at a young age, is a win-win proposition for our communities. Talent in work force is one of our highest priorities at the chamber and this certainly fits into that mission. And we are grateful to Senator Kolowski for bringing this innovative idea forward. And that's all I have. [LB343]

SENATOR SULLIVAN: All right. Thank you, Ms. Creager. [LB343]

JENNIFER CREAGER: Thank you. [LB343]

SENATOR SULLIVAN: Any questions for her? [LB343]

JENNIFER CREAGER: Thank you. [LB343]

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SENATOR SULLIVAN: Thank you. Welcome. [LB343]

BRIAN MAHER: (Exhibit 6) Thank you. Good afternoon, Senator Sullivan and members of the Education Committee. I'll start by just...by stating my dismay for Mr. Boldt leaving the room after I've listened to him speak twice. I thought certainly he could have sat and listened to me. (Laughter) Again, good afternoon. I am the superintendent of Kearney Public Schools and I am here to offer support for Senator Kolowski. [LB343]

SENATOR SULLIVAN: Excuse me. Did you spell your name, please? [LB343]

BRIAN MAHER: Yes. Brian, B-r-i-a-n, Maher, M-a-h-e-r. [LB343]

SENATOR SULLIVAN: Thank you. [LB343]

BRIAN MAHER: I even have that written out in my script. It's even written on the document that I gave you so I don't know why I skipped that. I guess because I thought I was a comedian. I've had the great fortune in the last 16 years to be a superintendent eight years in a district where we are equalized and eight years in a district where we were unequalized. And so I know this...what you hear from us many times is a mixed message on public policy or certainly on money as we think it should be distributed to the schools in Nebraska. And I think it's a rare occurrence when we can talk about a funding mechanism...that incent and reward quality education. I also think it's a rare occurrence when a funding bill does not create financial winners and losers in our state. And it's also a rare occurrence when funding bills allow schools in the east and schools in the west and large schools and small schools to share a funding source in an equitable manner. It's my opinion that LB343 accomplishes those issues. I'll just go over five key components that I think make this good policy so as not to be redundant with some of the things that you've already heard. Number one, the bill provides incentive for college preparedness. That comes in the form of international baccalaureate programs, or IB; advanced placement programs, or AP; or dual credit programs. You've heard of all of those already. The bill also provides incentive for rigor in our schools. Again, I would highlight those same programs. The bill provides incentive for schools to pursue work force development and the development of curricula in that area. That's maybe fairly new to our state where you see academies popping up in various districts, pathways maybe highlighted by the Career Pathways Institute in Grand Island, licensures that we're now providing opportunities for our kids to receive in our schools, and areas where kids can go from graduation on Sunday to a place of work on Monday. I think we've got a renewed emphasis in our state in those particular areas. In addition to those incentives, the bill rewards student achievement. If you don't meet the threshold, you don't get the money. And I'll give you an example: Senator Kolowski talked about receiving a four on an IB exam, receiving a three on an AP exam. I don't know how familiar you are with those. That's rigor. Those scores are hard--very hard--to come by. And so what a great reward for student achievement. The fifth and final

component that I'll highlight is that the bill is blind to school size or school location. You can offer IB courses anywhere. You can offer AP courses anywhere. You can offer dual credit courses anywhere. You can be a part of academies. You can be a part of a pathway virtually anywhere in this great state. So to not only incent to that but reward that I think is a very good thing. And, Senator, I was listening to you as...I heard your questions. And I don't know that I'd thought it through to the degree, the questions you raised on, is this double-dipping or is this something that you're already doing? And I thought, boy, that's...those are things I ask my principals all the time. You want me to incent you or to reward you for something that you're already doing? And I guess I would say this: As we are looking to roll out a far greater academy approach in the Kearney Public Schools than what we're currently offering, I don't know that we need the incentive. But, boy, if there's a carrot there for a reward, I think it's going to put some sort of accountability in that program that maybe isn't there yet at this point. The other thing is...that I was thinking is, as you were listening to Dan Novak and Galen Boldt and some really quality administrators in this state, I wonder if the incentive isn't for those who aren't here and testifying in front of you today. And maybe there's more of a philanthropic venture to what we're doing than talking about money for us but rather than for testifying in favor of money for the state of Nebraska and maybe for those places where these things aren't happening. So with that, I would finish by saying I applaud the work of Senator Kolowski. I think this bill has something for all schools. And it is because of the bill's attention to statewide equity that I give my support to LB343. [LB343]

SENATOR SULLIVAN: Thank you, Dr. Maher. [LB343]

BRIAN MAHER: You bet. [LB343]

SENATOR SULLIVAN: I'll ask you the same question that I asked Dr. Sutfin. Are you concerned about the sustainability of it, the fact that it is...you're going after a General Fund appropriation rather than putting it through the TEEOSA formula as, perhaps, an allowance? [LB343]

BRIAN MAHER: Yes. That is the short answer. My biggest concern for the funding, the appropriations for this particular bill number one is, can we get it started? That's my biggest concern. I don't want it to take away from TEEOSA. In my humble opinion, TEEOSA isn't overfunded currently, so I wouldn't want to take away from TEEOSA. And at least in the short term, I could see where if this bill was funded, it would be an easy mark because of its recent venture into education. But what I'm hoping is that you'd see...we would be able to show this body over time the quality that comes as a result of it. So I would be willing to take the skepticism that I have for its sustained funding with trying to give you a "we can show you" attitude as it relates to this bill. [LB343]

SENATOR SULLIVAN: Thank you. Any other questions for Dr. Maher? Thank you for

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your testimony. [LB343]

BRIAN MAHER: Thank you. [LB343]

SENATOR SULLIVAN: Welcome. [LB343]

DAVID LUDWIG: (Exhibit 7) Thank you. Well, good afternoon. I'm David Ludwig, D-a-v-i-d L-u-d-w-i-g, and I'm the executive director for the Educational Service Unit Coordinating Council. And I'd like to thank you for the opportunity to share my support for LB343. As you reflect upon the statewide vision for education and the four established goals and objectives, LB343 provides the rigor and relevancy and the necessary skills and knowledge for all students to be productive, successful citizens. As an educator and a parent, I know and understand the value of these opportunities for all students. Within LB343, students are provided the educational opportunities that engage and prepare each individual for success in learning. High expectations are provided for educators, parents, students, and educational institutions. A positive, safe, and successful learning environment is created. And collaborative relationships with the school community are established as well. Through the rigor and relevancy of LB343, each of the established goals and objectives within the vision are met. As you consider the components of this bill and what it has to offer for students, the programs of excellence, dual enrollment courses, and career academies are valuable opportunities for all students throughout the state, not just one sector but for all students throughout the state. In addition, the financial support for each school district is provided regarding initial costs for implementation as well as reimbursement for the district of each student who completes the program. This bill not only provides opportunities for all students but it also establishes a level of accountability based upon student completion rather than students participating in the program. Also, the collaboration with higher education, ESUs, and school districts is supported and encouraged within this bill. This relationship has been in existence with current programs but will only be enhanced as each stakeholder continues to work together to support student learning. As I stated earlier, I am in full support of this bill as an educator and as a parent. As a parent, my two children who are now adults were afforded the opportunity of earning dual credit hours in high school. This was a tremendous opportunity as it allowed each to begin their college experience as a sophomore. Based upon this experience, both were able to graduate in four years with a dual major and most importantly were offered employment prior to graduation. Both understood the value of this program as the rigor and relevancy brought value to their senior year. And as a school administrator in that same district a number of years ago, I saw that same result in other students as well, not just for my own but for other students that were participating in that program. During my 32-year career, I have been involved in conversations regarding opportunities of rigor for students that were either dismissed or delayed in implementation due to discussions regarding funding or the lack thereof. I completely understand funding is important and it's essential. I get that. But when this dialog is used as an obstacle or barrier to student

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success, our focus is not on student learning. So the question we need to ask as collective stakeholders with all of us in this room, within this statewide school community, is how do these opportunities for student learning fit within the overall vision for education? So again, as an educator and as a parent, I fully support this bill, LB343, and I thank you for the opportunity of sharing my thoughts. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Ludwig. Just to clarify in terms of the role of the ESUs, they will be the conduit, if you will, when a school district applies for a grant or reimbursement. Is that correct? [LB343]

DAVID LUDWIG: Right. Well, that approval would come through NDE but we'd more or less be the fiscal agents and then... [LB343]

SENATOR SULLIVAN: I see. [LB343]

DAVID LUDWIG: ...our main goal or our main purpose would be to provide that service delivery for, like Senator Kolowski alluded to earlier, for...in services, statewide training, and so on. You know, by statute, our role, our mission is defined in 79-1246 which is, provide equitable and efficient services throughout the state. And that's where our role would come in as well. [LB343]

SENATOR SULLIVAN: Thank you. Thank you for your testimony. [LB343]

DAVID LUDWIG: Okay. Thank you. [LB343]

SENATOR SULLIVAN: Welcome back. [LB343]

JON HABBEN: (Exhibit 8) Thank you, Senator Sullivan. Appreciate the opportunity to talk on this bill. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools. Our members stretch across 88 counties. And so we're pretty much all over the place, lots of different sizes from a school district of K-12 2,000 to a school district of less than 100. There are geography issues. There are distance issues. No surprise, all you have to do is look at the map to see those. But I think this bill brings something that is certainly worthy of discussion. My conversation this summer with Superintendent Sutfin was...I was intrigued by what he was talking about and I had several questions. And a couple of the questions were predictable: So how does rural, out-there Nebraska participate? How do you access this or that? And I was quite pleased because when I saw the evolving bill or the evolving discussion, I saw the inclusion of Service Units and those kinds of things that enable hubs, so to speak, for activity to occur. Now, I won't repeat a lot of what you've heard. A couple of things that...one question I still have about the bill is, is it possible for a group of schools to go together in a group, choose one of them to be the fiscal agent rather than insisting they go through a Service Unit? And I'm not trying to push Service Units out. They are

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absolutely critical in out state...everywhere in Nebraska. The reason I asked that is that the Service Units in a number of places will have five, six, seven, eight counties and all the school districts therein. And how many of these can an ESU handle? And on the other hand, it may only be a smaller effort rather than a larger effort. But I think the nod toward dual credit courses...very important in rural Nebraska. Parents want the more bang for the buck. So they have a tendency to look at that as how to bring in courses. That college credit piece along with the high school credit piece...pretty important. But there's more than that. There, as we...welding gets talked about a lot. But there are all kinds of other groupings, all kinds of other subjects, all kinds of other job-related kinds of activities. I think this bill is an incentive to maybe take what you're doing a little further, maybe push that envelope a little bit more. Senator, you asked a question about double-dipping. And I had to think about that for a little bit because the first thing I thought of relative to this was, the district receives the money for the successful completions of whatever it is. And my superintendent head says, and that money becomes part of continuing the program on. And so, it sort of feeds itself as you go through. And part of the reason, I think, you need some of that is, a startup isn't necessarily the end of the cost of the...of whatever you're attempting to do. It may be a low cost. It may be a higher cost. But there may be ongoing costs. And I see money coming in to help continue to pay for those kinds of costs. There was a question about, do we know what's going on with kids four and five years down the road? I believe Rule 10 has a rule in it that guidance counselors do do five-year studies of graduates in each school. How successful it is, it's hard to say, because you're chasing people whose addresses may be gone. You never know. One of the things that I do like about this is, you choose whether or not to participate. This isn't about mandating participation. This isn't about mandating groupings. These are things that come about by voluntary discussion with the idea that, hmm, maybe this is a possibility. Let's talk to some others about it. Let's involve our ESU leadership. Let's talk to some others about it. The mandates aren't there. You choose to be involved and thereby hopefully choose to succeed a little more in your district. I think it has good potential. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Habben. [LB343]

JON HABBEN: You bet. Thank you. [LB343]

SENATOR SULLIVAN: Any questions for him? Thank you for your testimony. [LB343]

JON HABBEN: You bet. [LB343]

RANDY SCHMAILZL: (Exhibit 9) Good evening, committee. Randy Schmailzl, R-a-n-d-y S-c-h-m-a-i-l-z-l, college president, Metropolitan Community College. A few housekeeping chores for me: Dennis Baack needed to leave for another engagement and he wanted me to mention to the committee that the Nebraska Community College Association is in support of LB343. So I would like to go on record to say that. I'm also

here today on behalf of Dr. Ken Bird from Avenue Scholars who is unable to join us. And the talking points regarding Dr. Bird and myself, support of the legislative bill, have been passed out. So I'm going to focus on answering questions and also talking about how this works in Omaha to a degree because we started a number of years ago career academies. We started to work with donors. Senator Cook earlier mentioned about a remedial bill that Senator Cook supported on behalf of Metro a number of years ago to...that was one of our first attempts to alert others that we needed help in the high schools to elevate the education that they were providing to help them to be partners. And I'm proud to say that all the high schools in Metro's four-county area are partners with Metro Community College. It's not centered around money because most of the time in these partnerships, money is not available. If it was, I wouldn't want to have a partner. If it was money, we wouldn't have a partnership. We're lucky enough in Omaha to have philanthropists that have helped us get these projects started. Avenue Scholars: Dr. Bird is the CEO of that. It's a group of donors that put together money to help in seven high schools with sorting out students that may need extra assistance while they're in high school to get their high school degree. It also helps students...I think they had 200 students last year and all but...maybe one or two did not graduate which is a great success story. And in addition to that, due to the fact that in the spring quarter they come to Metro Community College for a series of classes and entry-level workshops in terms of careers, 198 of them enrolled in the Metropolitan Community College. And we're very proud of that because I think most of those students would have not gone on to college. But the partnership led to the students feeling that they could do the college work. And you've heard that time and time again today. This also has led to a new program for Avenue Scholars, the AKSARBEN Career Scholarship program. Metropolitan Community College is a pilot project for this program and the program is designed for students in career academies, students in careers in high school, to attend Metropolitan Community College free of charge. The AKSARBEN Scholarship is a scholarship of \$4,000 per year and it will help the student with all the books, supplies, and I call this a pilot project because it's the desire of the Knights of Ak-Sar-Ben to roll this out through all the community colleges in the whole state. So the career academies that you've heard about today and in the future, they'll have an opportunity for their students to go on to their local community college, tuition paid, in high-skill, high-demand jobs. The purpose of this bill in my mind is another step in the continuum to help students into the career path, into the trades, into jobs, into highly skilled jobs, no matter where it's at in the state of Nebraska. It's great that this bill covers the whole state. It is exceptional today to hear as many superintendents come forward and talk about the relationships they have. At Metro, we have about 2000-plus students in dual enrollment and career academies annually. We also work with Millard Public Schools in an early college curriculum that will be starting this fall. And that early college curriculum will be at Millard South and it will offer opportunities for Millard students to take college-level classes while they're in high school at their high school. We're also very proud to have projects with Bellevue High School. Their trades programs are mostly taught at Metropolitan Community College south campus instead of in the high

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schools. And our adjunct faculty across the college are made up of a number of the high school teachers that have their extra credentials. So it's a good relationship and this...I applaud Senator Kolowski for bringing this forward. And it's just another step in the direction of providing the best education possible for careers. Jobs are great; careers are better. And I'd be glad to answer any questions, Senator. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Schmailzl. Senator Cook. [LB343]

SENATOR COOK: Thank you, Madam Chair, and thank you, President Schmailzl. We've been talking about the '80s and '90s a lot today. Do you remember the medical sciences... [LB343]

RANDY SCHMAILZL: Oh, yes, yes. [LB343]

SENATOR COOK: ...program at Metro? Who paid for the startup for that? [LB343]

RANDY SCHMAILZL: Metropolitan Community College... [LB343]

SENATOR COOK: That's what I...okay. [LB343]

RANDY SCHMAILZL: ...along with a couple donors... [LB343]

SENATOR COOK: All right. [LB343]

RANDY SCHMAILZL: ...after it got started. [LB343]

SENATOR COOK: All right. And the HVAC Program that we had, that was the same thing? [LB343]

RANDY SCHMAILZL: Same thing, um-hum. [LB343]

SENATOR COOK: All right. Just... [LB343]

RANDY SCHMAILZL: In the school districts, extra money to spend on things is just not available. [LB343]

SENATOR COOK: Right. All right. Thank you. [LB343]

RANDY SCHMAILZL: Thank you. [LB343]

SENATOR SULLIVAN: Any other questions? Thank you. [LB343]

RANDY SCHMAILZL: Thank you. [LB343]

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SENATOR SULLIVAN: Welcome back. [LB343]

FRANK HARWOOD: (Exhibit 10) Thank you. Again, I'm Frank Harwood, F-r-a-n-k H-a-r-w-o-o-d, and I'll be speaking on behalf of the Greater Nebraska Schools Association. The...we're here today to offer our support for Senator Kolowski's LB343. School districts and the stakeholders need to extend connections with the business community in each district. This bill makes a clear connection to the P-16 Initiative and LB371 which promotes educational success. This can be a powerful partnership between secondary and postsecondary institutions as well as the business community. GNSA schools are supportive of the mechanism to include...included for the funding requirements of the bill but do not support any position that may impact the current TEEOSA formula, in particular equalization aid. Speaking specifically for Bellevue Public Schools, I had the opportunity to spend 3.5 hours last night listening to public input about \$4.5 million in cuts that we're proposing for next year. And so to answer a little bit of your question about how some of this funding we'd be using...and none of the cuts that we're proposing would impact the situations that are here. Bellevue did have to make reductions in the past. And as Mr....President Schmailzl indicated, most of our career and technical programs actually go through Metro in their junior and senior years. The way I would see Bellevue Public Schools using any of the funding here--and by the way, with \$10 million, if you look at what's already going on, the reimbursement that's going to be available in the first year is going to be pretty small--I share Dr. Maher's concern that if we can get something started, I think we can show the importance of this type of program to the economy of the state of Nebraska in helping students being successful and getting college credits and/or earning trade certificates. I think...although I would be concerned about ongoing funding, I think that this program has the potential to show its necessity for growing the economy in Nebraska. So when we look at this as an issue, the way I would see Bellevue using the funds that we may be getting with this will help, in a budget-cutting cycle, sustain programs that we have. Without a budget-cutting cycle, it would be a way for us to grow the...our programs. We really...I mean, we're...Bellevue is behind in some of the career pathway pieces. And so these opportunities with the successes of our current students in the programs we have along with the additional successes that...in programs that we would build, we'd be offering more programs and more opportunities for students to become gainfully employed Nebraskans. [LB343]

SENATOR SULLIVAN: Thank you, Dr. Harwood. [LB343]

FRANK HARWOOD: Yeah. [LB343]

SENATOR SULLIVAN: So with respect to the concerns over sustainability and maybe building a case for the value of this program over time, it's still thinking that it would...you would always have to go after a General Fund appropriation to sustain it

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rather than trying to build a case for it to be part of TEEOSA. [LB343]

FRANK HARWOOD: Right. Well, and I think the issue there is that, from a GNSA perspective, we believe that TEEOSA is not overfunded as Dr. Maher has said before. So I think in this situation, when you're looking at something that goes beyond the basic needs, and we're providing something in addition to what each school is maybe providing now, we think it should be outside of TEEOSA. So I think that either, you know, the lottery funds for a part of it and General Funds are the best way to get it started. As the program matures and is showing its value, how that gets funded in the future may even be part of what the, you know, the committee that comes out of the LB182 or LB323 as it becomes part of that. I think at the beginning, we think it's a mistake to comingle the funds mostly because of the way it would treat districts if it becomes an allowance. If you...if it becomes an allowance, now all of a sudden you're not treating districts the same because an equalized district...it could just be used to offset their equalization aid whereas with an unequalized district, it would become additional resources that are available. So if it gets turned into the TEEOSA formula, it loses its ability that we've talked about where it can actually benefit all 450-plus districts. [LB343]

SENATOR SULLIVAN: And using that rationale then you hold that to perhaps a different standard as opposed to something like poverty which is what we have all across the state as well. [LB343]

FRANK HARWOOD: Right. Right. Well, and I think that's one of the issues that I think is a merit to this bill. TEEOSA only looks at student counts. And now, it could be student counts in different demographic groups where there's poverty or ELL. This one is focused only on the success of the students in the program. For that, the basic funding is how you would...and the grants would be how you would be starting those programs. But only through their success do you get the additional funding. I think that that type of merit system would be more difficult in TEEOSA because in TEEOSA what you're doing is providing for the basic needs of the students. [LB343]

SENATOR SULLIVAN: Thank you. [LB343]

FRANK HARWOOD: Yeah. [LB343]

SENATOR SULLIVAN: Any other questions? Senator Groene. [LB343]

SENATOR GROENE: How can I be assured that this just doesn't turn into top 20...the old 80/20 rule. The top 20 percent of the kids with good parents are motivated. They want to go on. If they were going to spend more money on them...I'm more worried about the kid that ends up in the state pen or unemployed. How am I sure that you're going to get those in the welding class and it isn't just all...I hear program after program

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that's already in effect. In North Platte we've got the AP program with the community college. I heard the community college from Metro say they already got all these programs. It looks to me like you just have the money to pay for programs you already have. I'm worried about the kid that's going to end up in the state pen that he learns how to weld or has a plumbing job. But I don't...I just see this...an extension of what you're already doing. [LB343]

FRANK HARWOOD: I think the difference in the funding portion of it is that whereas right now in a lot of the programs, it's having the student enrolled is what sustains the program, in this situation, it's a student that is successful is the only one that gets the revenue. So a little bit back to Senator Cook's point, one of the things that I think schools would then need to be doing is looking at the freshman and sophomore year so that students are ready for these programs in the junior and senior year so that...and even with some of these trade certificate programs, they wouldn't finish before they were...the end of their senior year. So part of it is the school then supporting them going on to the community college to finish that certificate, because only then would the high school or the K-12 school be receiving any aid for that. So I think it's tied in with what has to happen in order for anything to happen with the funding. [LB343]

SENATOR GROENE: Thank you. [LB343]

SENATOR SULLIVAN: Any other questions? Thank you, Dr. Harwood. Welcome. [LB343]

VIRGINIA MOON: Thank you. Senator Sullivan, committee, my name is Virginia, V-i-r-g-i-n-i-a, Moon, M-o-o-n. I'm here to represent the Nebraska Council of School Administrators. The legislative committee from the Nebraska Council of School Administrators has voted to support LB343 unanimously for all the reasons that you've heard here today. And I think you see broad support for it. I had some written comments but I'm thinking that perhaps I can provide a little bit different perspective on the discussion today and try to keep it brief. School districts have for many years done a great job on the pathway we understand...the career pathway we understand of traditional four-year college. Because that's what teachers have done, we know how to get there. We haven't done such a good job in preparing our students for other pathways to career or college or success in life or whatever that is because we don't, as educators, exactly know how that works. And our model maybe doesn't match those pathways. So I think this bill is a little bit like the school district struggle. It does take a leap of faith as some people talked about here. It takes a different way of doing the schedule, a different way of paying for things, different partnerships, different certification and training for teachers. And the thing that's maybe a good thing about LB343 is that the funding isn't set absolutely lockstep, because all the careers that we're preparing students for are very different. And they're very different from day to day or at least from year to year. Many of the careers that you're asking us to prepare or that our

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students deserve to be prepared for didn't even exist a decade ago. And so creating something that's sustainable over a long, long period of time is hard to do. And so I think the funding that's in this bill would help districts begin to look at things in a different way. How do we manipulate the schedule? How do we help get things done? And so I think the schedule...the funding mechanism here and how it's going to look and what it's going to...is it going to give you \$5 per student for every one who actually completes because there are so many students completing? Or is it going to be mostly in the startup costs? We don't know that yet. But we do know that there would be incentives to help districts continue to constantly revise their curriculum and revise their career pathways so that students have an opportunity to success. So we support this bill. We also support it partly...for all the reasons that you've heard before. It's applicable across the state. I certainly saw it in the west in a smaller school and with Omaha Public Schools in the largest schools. So it has a lot of potential. We also understand that you've done a lot of work with the lottery funds to make those funds go to some useful innovations and some...and we think, as school administrators, that this is a project that deserves that look at getting started. [LB343]

SENATOR SULLIVAN: Thank you, Dr. Moon. [LB343]

VIRGINIA MOON: Any questions? [LB343]

SENATOR SULLIVAN: Any questions for her? Thank you for testimony. [LB343]

VIRGINIA MOON: Thank you. [LB343]

JOHN BONAIUTO: Senator Sullivan, John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, representing Nebraska Association of School Boards. On behalf of school boards, we appreciate the work that Senator Kolowski has done and the passion he has put into introducing LB343 and pushing the envelope and so agree with everything that has been said. The hour is late. I do want to say one thing for the record, though, that the school boards, when they were talking about this bill, wanted me to make very clear that the support is with the understanding that this is on top of TEEOSA, that it...that the school boards' priority is still fully funding the formula. And that's very important to them. And so it is going to be a...you know, something that we'll have to work with is to make sure that this is funded when we're talking about additional General Funds. And with that, I'll conclude my testimony. [LB343]

SENATOR SULLIVAN: Thank you. Any questions for Mr. Bonaiuto? Thank you. Welcome. [LB343]

JAY SEARS: (Exhibits 11, 12) Thank you. For the record, my name is Jay Sears, J-a-y S-e-a-r-s, and I represent the Nebraska State Education Association. Coming around are two handouts. One is my written testimony which is very brief. And the second one

is probably the most important testimony you'll have from me today, tomorrow, or any other day. It comes from John Heineman who is the coordinator for the international baccalaureate and advanced placement programs at the Lincoln High School. And he explains in his letter to you what international baccalaureate programs are like in Lincoln High, what it does for students, what it does for the school district, and all of the resources it takes for teachers to be able to teach IB or advanced placement courses also. So I leave that for you. But NSEA does support LB343 for three reasons...probably six or seven more, but we only have time for three. (Laughter) First of all, it's funding outside of TEEOSA and, therefore, all school districts receive it. Two, this second tier of funding only goes to districts if they have students who complete programs successfully thus incentivizing quality career and college readiness through rigorous and relevant coursework. And third, there's a component that's providing funding for districts who don't have the programs or want to start the programs like advanced placement, international baccalaureate, dual enrollment, career academies to develop these programs. So it's not shortchanging anybody in the process. Those are the three big reasons for us, because it's available for everyone. It leads us...incentivizes quality, rigorous education beyond what TEEOSA is to fund. I think it's a novel concept that we're incentivizing school districts to go above and beyond what the minimum standards are required to educate our children in Nebraska. We often hear that we don't look at the outcomes of education, so I think LB343 gives us that option to look at the outcomes and reward those, incentivize those. NSEA encourages the committee to vote this one out. Let's have the discussion. I want to talk about and hear you talk about how we incentivize excellent education for all students across Nebraska and not about equalized or nonequalized districts. So that concludes my testimony. I'd be glad to answer any questions. I'll try, if you have some for John, to make sure that he can answer those for you if I can't make them up. So thank you. [LB343]

SENATOR SULLIVAN: Thank you, Mr. Sears. Any questions? Got off easy. [LB343]

JAY SEARS: Thank you. [LB343]

SENATOR SULLIVAN: (Exhibits 13, 14, 15, 16, 17) Any further testimony in support of LB343? Anyone speaking in opposition? Excuse me. There are several letters of support for LB343: Kevin Riley, superintendent at Gretna Public Schools; Dr. Josh Fields, Seward Public Schools; Dr. Troy Loeffelholz, superintendent at Columbus Public Schools; John Neal, Lincoln Public Schools; and Dr. Dan Schnoes, ESU 3. Anyone wishing to speak in a neutral capacity? Senator Kolowski, for closing. [LB343]

SENATOR KOLOWSKI: Thank you, Senator Sullivan. And thank you, committee. Appreciate it very much. And I'd like to thank all those who spoke this afternoon on this bill. I think it's got tremendous capabilities. It is not...pardon me. We didn't tie this... [LB343]

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SENATOR SULLIVAN: Some water for him...would you like some water? [LB343]

SENATOR KOLOWSKI: No, we're...I'm fine. [LB343]

SENATOR SULLIVAN: Okay. [LB343]

SENATOR KOLOWSKI: We didn't tie this to TEEOSA because of one thing I think you can all reflect back on 24 hours ago, and that was our discussion on TEEOSA yesterday. This is a good reason why we're not tying this to TEEOSA. TEEOSA, the funding process, and the whole aspect of support for education in the state needs to get solved in the state, by the state, by whatever means. Some of those we looked at today: proposals as to where it might go and what it might do. The tier two gives us an opportunity to work outside of that. And for Mr. Habben and others that have spoken today, I appreciate their comments that it's a freewill choice on the part of a district to be involved. It's their choice for the leadership in their district to decide with their school district, school board, and their superintendent whether they're going to be involved or partake in these options or these programs. And I think that's great local control decision making. The aspect of where they might...where this might go in the future and the funding Senator Sullivan has mentioned, I think, is a crucial issue. But I would leave you with this: Wouldn't it be wonderful if this took off and we needed \$20 million or \$30 million or \$50 million to meet the needs of all the kids that could be involved in this in Nebraska? Wouldn't that be a nice problem to have compared to others that we're sometimes dealing with? It has the potential. It's unlimited in what it might do if and when done properly. And I hope, as we solve TEEOSA--and I know the state will solve that--I hope this program and others like it that we'll creatively come up with in the next couple of years as we look at this educational experience that we talked about from early all the way through postsecondary has the great potential to impact Nebraska in the very, very positive ways. Thank you for your patience today. I'm very excited about this bill. I don't think there could have been a stronger set of testimonials given than all the people that came through today. And we're proud of that because we've spent the last year, almost a full year, talking with these professionals and others as to where this might go and what it might do to impact Nebraska's educational future. So I thank you. And thank you for your time today. [LB343]

SENATOR SULLIVAN: (See also Exhibits 18, 19) Thank you, Senator. Any questions for the senator? Thank you very much. This closes the hearing on LB343. And we will now go on to our final bill of the day, LB534. Senator Groene. [LB343]

SENATOR GROENE: Do we get paid overtime? (Laughter) [LB534]

SENATOR SULLIVAN: Afraid not. [LB534]

SENATOR GROENE: (Exhibit 1) Anyway, Senator Mike Groene, M-i-k-e G-r-o-e-n-e,

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introducing LB534. Basically the bill establishes that...legislative control over public school funding through TEEOSA whereas from 1990 on state aid to public education has been allocated by the calculations of a complicated formula which has been amended multiple times. This bill would place the control of state aid to education into the hands of the elected officials of the Legislature. Spending will be limited by the total of the previous year's spending plus an allowed increase for the growth in student population. This calculation amount can be adjusted by the Legislature through the normal budget process. Automatic increases in funding merely fuels the bureaucracy. This new oversight will ensure that public school administrators efficiently manage the tax dollars entrusted to them. I did this bill more as a statement than...I've heard two or three times today with the cuts in state aid, the cuts in state aid with the formula. Well, I'm confused. I passed out to the committee...from the Revenue Department. In the last ten years, school districts have collected and...you know, we don't pay our property taxes in mills or valuations. We pay them in dollars. School districts in the last ten years have...ten years ago they collected \$1.3 billion. In 2013, at...ten years later, they collected \$2,000,240,000. That was a 63.4 percent increase. The money went somewhere. What I did is, the second page just shows you where I got the 2014 model number, because it wasn't in the graph. The Revenue Department hadn't had a chance to add it to the graph but they have the numbers. The next sheet shows you General Fund aid appropriated by...for TEEOSA and special education. In those last ten years, it's gone from \$618,000 to \$913,000 (sic), a 47.8 percent increase, \$295 million increase. Special ed has had a 32.7 percent increase over that same period from \$161 million to \$213 million. And then the last sheet shows you enrollment in our public schools. And in the last ten years, it's gone from 278,000 to 297,000. That's a 6.5 percent increase compared to a...and I got those numbers from Bryce Wilson at Department of Education. I'm missing something here. How can there be cuts in state aid? I believe we're talking about a huge shift to the gang of 24 where all the state aid is going and why TEEOSA is so important to them. Any increase of state aid ends up within that group of 24. There's the 140 districts that my bill wouldn't affect out of 240...what is it, 240 districts? One hundred seventy districts, my bill wouldn't affect. They don't get any state aid. So if you...it basically disappeared except for the portion...the minority portion, the smaller portion that goes to poverty and some of the other special funds. They don't get any. So there's two-thirds of the state geographically...I'm being generous there, it should be about three-fourths of the people who live in that area. An increase to TEEOSA doesn't make a difference to them because they are paying for their schools with property taxes. We get nickels and dimes and I...even the...none...they sit there and beg and pick up the nickels and dimes hoping that if state aid is increased, they might get a couple thousand here and there. But the point I'm trying to make with this bill is, it all goes one direction. It all flows one way. We have to fix this formula. And maybe we get rid of it. I think...I appreciate Senator Sullivan. You've been very patient with us rookies. Part of these hearings that we've had lately has been an educational process with all the questions and we've learned a lot. I think all of us rookies would tell you that. But we learned a lot about this...where

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this...where the three-leg stool started. And the formula wasn't part of that. That committee didn't come up and say we needed a formula. That was done later. So when we look at that three-legged stool, it's not tied to that formula. That formula was created later, and it's time to say it's flawed. It's very, very flawed. It doesn't pertain at all to what that committee back in 1988 did. You've got 100...three-fourths of the districts getting no state aid except for the...their...a minor part of the entire \$900-some billion goes to the poverty and...I don't know what it is. I'd like to...I'm going to have to get a hold of Bryce, Department of Ed, to break that out, how much is actually just the general aid and then how much is related to that. But we got a problem. I mean, three-fourths of my school districts out there don't care what TEEOSA is next year, because their entire funding comes from property taxes. That's where we're at. I wanted to explain to Senator Cook. She's been asking about why property...farm prices have gone up. I'm a businessman. They're...this isn't making cars or producing apples. There's only so many acres of land. Only about 1 percent or 2 percent of that land comes up for sale every year, maybe 1 percent. God don't say, I'm going to make more land because there's bigger demand like GM does with cars. So you've got a lot of bidders for that 1 acre out of 100 that's for sale. Now, 99 acres of...the people who owned, or let's say 90 of the acres, those people aren't bidding. They're farmers that have been farming for years. They're not going to pay that extra price for that land. They're not even included in it. It might be land they farmed for 50 years or 100 years. But because you've got ten bidders over one acre, four or five of them are outside interests who, after the crash, the last crash from the stock market, were advised: diversify. I told you the story I know of a couple of retirement plans that own land in Nebraska. They went in because they diversified their portfolios. And then you've got the farmer that's big, very successful. He wants to expand his operation. He buys it. That acre of ground he buys at \$10,000 does not cash flow. He combines it into his whole entire operation and looks to the future that he's growing economies of size. But that's where that exponent goes up. But we're talking nine out of ten of those farmers and land owners never bought an acre, never plan to buy an acre. But because of the way we have...are assessed on property, they're stuck with high property taxes. They're not Ted Turner. They didn't go out and buy a ranch. But yet the county assessor goes out and says, well, this is what the land sold for. We're going to have to average all the land at this value. Their property taxes go up for no...if Bill Gates buy the house next to you for \$5 billion, do I look at you and say, well, you've got a \$5 billion house, because Bill Gates bought the one next to you that was worth \$5 billion. That's unfair. And it's also fair in ag valuations. So anyway, that's just some of the points I wanted to make with this bill. The people who I represent are working today. They do not profit from TEEOSA. Their salaries do not come from that which everybody here today does. It's basically how they make a living. So it's personal, too, to them. The people who I represent are working today. And they elected me because, Mike, you're going to go down there and represent me because I don't have time. I'm the guy who pays the taxes on that farm ground. I'm the guy who pays them taxes on my house. I'm the one that...the public schools that we decided to build, we own, not the employees. We see the million-dollar buy...money that Omaha Public Schools did to an

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ex-superintendent. We see the other level of bureaucracy that the new superintendent of schools in Omaha did with a new level of principals. And we're wondering why. Don't tell us...these numbers don't lie. We pumped a lot of money into education. The taxpayer has to apologize for nothing. The last ten years, we've pumped a lot of money into it. Where has it gone? Of all these Ph.D.s, I want somebody to show me what it costs to educate a child. All I hear is more money, more money. I mean, we've thrown huge amounts of money at it with this formula and then they come along and say, we're not doing the job. We need another bureaucracy and we need a learning community. What did they do with all the money we gave them? I'm frustrated. And a lot of taxpayers are. But don't say we didn't give them money. We've given a lot of money. And that's what my bill is all about. Maybe it's time to say, hey, wait a second. We've given you a lot of money and the formula is going to go to the gang of 24 if we increase it. What about the rest of us? So anyway, that's my...why I'm presenting this bill. I want this in the mix. Everybody knows the taxpayer has done its job. We've given a lot of money to education the last decade, the last 20 years. Even go back then. The increase is huge but the student population has not risen that much. So thank you, Senator Sullivan, and should I just sit here? Does anybody got something? [LB534]

SENATOR SULLIVAN: No, just...we might have some questions for you. (Laugh)
[LB534]

SENATOR GROENE: Oh, all right. Go ahead. I got to meet my granddaughter for dinner. [LB534]

SENATOR SULLIVAN: All right. Very good. Do you have any...does anyone have any questions for Senator Groene? [LB534]

SENATOR GROENE: No, go ahead. I'd love to answer the questions. [LB534]

SENATOR COOK: No, I...and maybe you have a list for me. We can give it...get it later. Who might be included in the gang of 24 and how would...how do you define that for...
[LB534]

SENATOR GROENE: Well, it's the 24 school districts that...admit, they're honest people. I shouldn't use it. But I didn't know their real names, so it's popped in my head, gang of 24. They're the ones that are equalized. They're the big 24 school districts that are mainly equalized with the formula. [LB534]

SENATOR COOK: All right. [LB534]

SENATOR GROENE: They get the vast majority of the equalization dollars, of the TEEOSA dollars. [LB534]

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SENATOR COOK: All right, because we do have more than 24 districts that are equalized, but you're saying the 24... [LB534]

SENATOR GROENE: But you heard... [LB534]

SENATOR COOK: ...that get the bulk of the dollars. [LB534]

SENATOR GROENE: Yeah, but the way this formula works, it's funny. It's like the individual from...was he from York? No, the other...because we...if we lower the valuation on the land, then he's still at \$1.05 but when your resources go in there his state aid drops. But he's still at \$1.05. So there's a lot of school districts that just get a small amount of equalization. [LB534]

SENATOR COOK: Yes. [LB534]

SENATOR GROENE: And it's...the formula don't work in their favor either when property taxes go up. [LB534]

SENATOR COOK: Okay. Thank you. [LB534]

SENATOR SULLIVAN: Thank you, Senator. All right. [LB534]

SENATOR GROENE: Anything else? [LB534]

SENATOR SULLIVAN: Just stick around. (Laugh) Okay. We'll see if we've got proponents or opponents if you want to just sit back there with Charles. Anyone wishing to speak in support of LB534? Anyone wishing to speak in opposition? [LB534]

JOHN BONAIUTO: Senator Sullivan, members of the committee, John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o, representing Nebraska Association of School Boards. Senator Groene and I have had a conversation about this bill and so it's no surprise to him that we would be in opposition to it. We look at this bill as limiting the state's obligation to the districts that need the money most through the TEEOSA formula. And these are the growing districts. And we could say whatever we want about the formula, that it's complicated and all of those things. But it works just the way it was designed to work. And so when the state limits its exposure, the ones that are hurt are the children in the districts that are at \$1.05. And they depend on their state aid to fund them, because the state already limits how much they can levy and how much their budgets can grow. And so I look at what the state has done with special education. The state put a limit on how much the state would fund in the special education reimbursement formula. For many years, it was 3 to 5 percent. Some years it was less. Some years it was a little more. Now it's been changed up to 10 but special ed has been woefully underfunded because the state can control the amount of money that is the state's exposure, but they can't

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control the number of special ed kids that arrive at the schoolhouse door. And this is the same with this kind of a bill, that you can control the growth by the difference between two fiscal years, but it's just an accounting or...you know, we're not taking into account or factoring in how much actual student growth and the needs that are involved in funding schools. And so it is for that reason that we oppose the bill. I've heard Senator Sullivan say this many times and I couldn't agree with her more: Property tax relief will achieve when school funding is part of the solution. And I think that this goes back to the statement, the state needs to put more money in...actually put more money into education, not less, because the property tax relief is not going to be achieved with this type of limitation. The districts that have the ability to levy will levy more. Those that don't will be hurt. With that, I'm going to conclude my testimony. [LB534]

SENATOR SULLIVAN: Thank you. Any questions for Mr. Bonaiuto? Thank you. [LB534]

JOHN BONAIUTO: Thank you. [LB534]

SENATOR SULLIVAN: Welcome. [LB534]

ROGER BREED: Hi. Since I'm here again, you know that I'm Roger Breed, R-o-g-e-r B-r-e-e-d. I'm the...representing the Greater Nebraska Schools Association, also known as the gang of 24. (Laughter) [LB534]

SENATOR COOK: Oh. Thank you. [LB534]

ROGER BREED: We do receive 83 percent of equalization aid. We do represent two-thirds of the students, two-thirds of the students in poverty, a little bit higher percentage of the students that receive special needs services, and about 80 percent of the students who receive English language learner services. Since the hour is late, I'm going to be blunt and brief. This is bad policy. This harkens back to the days of 0 percent lids because we couldn't trust board members to do their jobs. Now we're going to apply a cap to you, because apparently we don't feel we can elect senators that can do their jobs. Been through this before. It does not work to put artificial limits on human endeavors that change rapidly with the changing times. That's all I have to say. [LB534]

SENATOR SULLIVAN: Thank you, Dr. Breed. Questions, comments for him? Thank you. [LB534]

ROGER BREED: Thank you. [LB534]

LARRY SCHERER: (Exhibit 2) Good evening, Senator Sullivan and members of the Education Committee. For the record, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r. NSEA opposes LB534. I should say we're part of the gang of 28,000. (Laughter) And...but unfortunately we don't have that kind of budget. And we oppose it because it

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really goes against the principles that NSEA endorses: equalizing educational opportunities, incentives to employ and retain well-trained staff, equalize taxes, and provide for less reliance on property taxes. This would go counter to those goals and puts a cap of the previous year except for student growth. There are only about 20 districts that receive that student growth adjustment. And it's about \$12 million which obviously does not offset the costs of growing districts. That is meant to offset the expected growth for the future years. So the equalized districts that are growing would probably suffer quite a bit even though they get that adjustment. Nonequalized districts probably would also, because if the total amount is capped, while the bill isn't specific, you'd also have to believe that the income tax rebate or allocation and the enrollment option funding would also be capped. So you would have rural districts, those not receiving equalization, having to look at a number of things, you know, cutting staff, freezing salaries, increasing class sizes and, if there's ability to raise the levy, which in many cases there are not, putting more on the property tax. So if this is...I understand Senator Groene's intent to make a statement. I think this probably does make a statement. I...and it probably is further indication that if there's this much dissatisfaction, we need to take a serious look at the overall system and take a serious look at one of the earlier bills today. But this is probably not the direction to go to make that statement. So thank you and I'll try to answer any questions. [LB534]

SENATOR SULLIVAN: Thank you, Mr. Scherer. Any questions? [LB534]

LARRY SCHERER: I have a basketball game at 6:30, so I'll be brief, I promise.
(Laughter) [LB534]

SENATOR SULLIVAN: Any questions for him? Thank you for your testimony. [LB534]

LARRY SCHERER: Thank you. Thank you. [LB534]

SENATOR SULLIVAN: Welcome. [LB534]

RENEE FRY: (Exhibit 3) Thank you. My name is Renee Fry. I'm the executive director of the OpenSky Policy Institute. Renee Fry is spelled R-e-n-e-e F-r-y. I am here in opposition to LB534. I'm just going to go over a couple of highlights briefly. We did take a look back to see what this bill would have done retrospectively. We really couldn't look forward because there's too many assumptions that we would have had to make. So we looked back to see what the impact would have done. And limiting TEEOSA growth to student growth adjustment would have allowed only about 1.3 percent growth on average in the last seven years that the adjustment has existed whereas actual TEEOSA growth has averaged 2.1 percent per year in those years and 4.7 percent over the life of the program. So, for example, if the policy had been in effect for the past ten years, TEEOSA funding in FY '16 would be approximately \$229 million smaller than it's currently estimated, a difference of nearly 24 percent. To make up the lost funding,

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through property taxes, school levies would have had to increase in all school districts about 10 cents on average. And at least 40 districts currently under the \$1.05 levy limit would have had to...would have been unable to make themselves whole without exceeding that limit. If the policy had been in effect since TEEOSA began, TEEOSA funding in FY '16 would have been approximately \$461 million less than is currently estimated, a difference of nearly half. So you can see on the chart that I handed out before you, as a share of the economy, TEEOSA's spending reached an all-time low in FY '13, and LB534 would have taken that amount much lower as shown on the graph below. And I'd be happy to answer any questions. [LB534]

SENATOR SULLIVAN: Any questions for Ms. Fry? Thank you for your testimony. [LB534]

RENEE FRY: Thank you. [LB534]

SENATOR SULLIVAN: Any other testimony in opposition to LB534? Anyone wishing to speak in a neutral capacity? Senator Groene. [LB534]

SENATOR GROENE: Ms. Fry makes the assumption that we...I'm freezing it at this point in time, not ten years ago. Also, assumptions are made that school districts and school boards can't control their spending. But maybe if we slowed administrative costs down...our North Platte school is interviewing for a new superintendent right now. Ten years ago we were paying about \$155,000 for it. Their superintendent there, probably going to give him \$225,000. We pay a lot more than other states for administrative costs because the money flows. But assumptions are made that they can't control their costs. See, I go back to common denominators. There's no child in Nebraska that doesn't have a climate-controlled classroom. You can argue about air conditioning and a few...has a trained instructor in front of them, has a...books, materials that they need, has a free breakfast, has a free lunch. It's plain to me what more money...how more money improves that. It doesn't. Now, how do we improve what's going on in that classroom? That's something else besides money but...and what we expect an instructor to do. From teachers I heard, they expect me to do too much. I want to educate. They keep pouring stuff on, distracting the classroom. But that's another argument. As to...basically we all got insulted as senators, that we do not know what's best, do not know what our constituents want. If you read the very last line in my bill, it says "unless otherwise provided by the Legislature." If this body, if this committee says we need more money, we'd have more money available, we can add it. It does not freeze anything. It just says, this is where we start and now we, elected officials in the Legislature, decide how much more we add to it or not. It says it right there, "unless otherwise provided by the Legislature." So we're back in charge. Our...why are we here if we run government by formula? We see a federal government in total mess because we have too many programs run by formula. Social Security, Medicaid, Medicare, we run them by formula. And what do we got? We got chaos. But I look around me and I

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see very intelligent people who have run businesses. And if we think education needs more money, we will make that decision along with the Appropriations Committee. But this funding by formula has to stop. And that's the point I'm trying to make with this bill. Does anybody doubt in this room I'm not for the 3rd grader to read, that I'm not for public education? But I'm also a businessman and I don't understand why we throw money at things with no results. And that's what's been happening. So thank you. Is there any questions? [LB534]

SENATOR SULLIVAN: Thank you, Senator Groene. [LB534]

SENATOR GROENE: When you want to pass it, we'll pass it on to the Legislature, huh? [LB534]

SENATOR SULLIVAN: (Laugh) All right. This concludes the hearing on LB534 and the hearings for today. Thank you for all participating. [LB534]