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Appropriations Committee March 15, 2023
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CLEMENTS: Thank you. Welcome to the Appropriations Committee hearing. My name is Rob Clements. I'm from Elmwood. I represent Legislative District 2 in Cass County and eastern Lancaster County. I serve as Chair of this committee. We'll start off by having members do self-introductions, starting with my far right.

ARMENDARIZ: Christy Armendariz from District 18 in Omaha and Bennington.

DORN: Myron Dorn, District 30.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

VARGAS: Tony Vargas, District 7, downtown and south Omaha.

LIPPINCOTT: Loren Lippincott, District 34.

ERDMAN: Steve Erdman, District 47.

CLEMENTS: Assisting the committee is Tamara Hunt, our committee clerk. To my left is our fiscal analyst, Bill Viven, Viven-- Biven.

BILL BIVEN: Yes, sir.

CLEMENTS: Our pages today are Malcolm from Omaha, a UNL student, and Kait [PHONETIC] from Kansas, a UNL student. At each entrance, you will find a, a green testifier sheet. If you're planning on testifying today, please fill out a green testifier sheet and hand it to the committee clerk when you come up to testify. If you'll not be testifying but want to go on record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheet, sheets will become exhibits in the permanent record after today's hearing. To better facilitate today's proceeding, I ask that you abide by the following procedures: please silence your cell phones, move to the front chairs when you're ready to testify. The order of testimony for bills will be introducer, proponents, opponents, neutral and closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency, then we will hear testimony from anyone who wishes to speak on the agency's budget request. When you come to testify, spell your first and last name for the record before you testify. Be concise. We request that you limit your testimony to five minutes or less. Written materials may be distributed to the committee members as exhibits only while

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testimony is being offered. Hand them to the page for distribution when you come up to testify. If you have written testimony but do not have 12 copies at this time, please raise your hand so that a page can make copies for you. Now we will begin today's hearing with LB610. Senator Lippincott. Welcome, Senator. Go ahead.

LIPPINCOTT: Good afternoon, Chairman Clements and fellow members of the Appropriations Committee. I'm Senator Loren Lippincott. That's L-o-r-e-n L-i-p-p-i-n-c-o-t-t, and I represent District 34 in the Nebraska Legislature. I'm here to introduce LB610 and a clarifying amendment, AM316. LB610 is intended to enhance Nebraska's future workforce by increasing career and technical education funding for programs that are currently in place throughout the state. Workforce challenges are one of the top issues facing employers, and we must invest in our future workforce so our students have the tools to succeed at a young age and remain in Nebraska. Career and technical education, or CTE, is uniquely designed to reinforce academic preparation, develop workforce readiness and provide technical and skill training through contextual instruction, work-based learning and career and technical student organizations, otherwise CTSOs. Career and technical education students are 7 percent more likely to graduate on time, 10 percent more likely to enroll in postsecondary education within two years of graduating compared to non-CTE students and are more likely to attain a postsecondary award within five years of their expected graduation date. Each year, Nebraska receives approximately \$8 million in federal Perkins funding for CTE that is distributed to school districts based on a population formula. While every other state, the other 49 states, contribute to additional funding to CTE programs, Nebraska is missing out on a golden opportunity to give our students hands-on experiences. There's two parts to LB610. The first section appropriates \$10,232,000 to the Department of Education to Program 158 for the purpose of funding career and technical education programs in secondary and postsecondary schools. And approximately \$8 million will be distributed matching the federal-- federal Perkins formula, while an additional \$2,232,000 will ensure that each school district in the state receives a minimum of \$15,000 for CTE programs. This formula does not interfere with TEEOSA or any other tax proposal by the Governor, so it's a great way for rural school districts to receive increased funding. However, in full disclosure, if the Legislature were to decrease CTE funding in the future, then the federal funding would be decreased by the same percentage. The second portion of this bill is separate from the Perkins formula funding, but it also invests in our talent pipeline. Section 2 appropriates

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\$400,000 to the Department of Education to be evenly distributed between the career technical student organizations, CTSOs. The seven Nebraska CTSOs are Future Farmers of America, one that's popular with Senator Erdman, where I understand that he was given an honorary degree from Nebraska Farm Bureau Organization. Also, the Health Occupation Students of America, HOSA. That's healthcare. Educators Rising, education. Future Business Leaders of America, FBLA. That's business. Distributed [SIC] Education Clubs of America, DECA, marketing. Family, Career and Community Leaders of America, FCCLA, family and consumer sciences. And SkillsUSA, regarding trade, technical and skilled service occupations, including health occupations. Career technical student organizations are an extension of classroom instruction, applying classroom learning to real-world experiences. CTSOs are connected to middle school, high school and postsecondary instructional programs are-- and are integral to the classroom. Over 20,000 Nebraska students are a member of a CTSO, and they rely solely on student activity fees, volunteers and sponsors for support. The \$400,000 in CTSO funding in LB610 would be used by Nebraska students to offset travel, travel to conferences and competitive events, student-regulated-- registration fees and scholarship, purchase equipment and increase membership, among other things. There are several other testifiers here today to answer technical questions about Program 158 and career and technical education and also the career technical student organization's funding and the opportunities where LB610 can help. Thank you. And I'm happy to answer any questions.

CLEMENTS: Are there questions from the committee? Seeing none. Thank you, Senator Lippincott. We will now invite proponents for LB610. Good afternoon.

JON CERNY: Hi. Ready?

CLEMENTS: Go ahead. Yes.

JON CERNY: Good afternoon. I'm Dr. Jon Cerny, J-o-n C-e-r-n-y, superintendent at Bancroft-Rosalie Community Schools and president of the Association for Career and Technical Education of Nebraska, or ACTEN. ACTEN is an organization for professionals in career technical education, with 375 members across Nebraska; so teachers and college professors associated with CTE. I appear before the committee in support of LB610. Yesterday, you had the opportunity to hear from some CTE students. I'm fortunate to work with young people like these every day, and that is who I'm really here to advocate for. CTE programs

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play a critical role in preparing our students for success in the 21st century workforce. By providing hands-on real-world experiences, CTE programs help students build the skills and knowledge they need to succeed in their chosen careers. Last year, 80 percent of Nebraska students in grades 7 through 12 participated in CTE, and over 19,500 Nebraska students gained leadership skills with involvement in CTE student organizations. The Nebraska Department of Education has researched how CTE concentrators compared to non-CTE concentrators. Concentrators are high school students who have completed a three-course pathway in one career program. For example, a health science completer might have taken an intro to health science class, a medical terminology class and then a capstone-certified nurse assistant certification course. The research found that CTE concentrators are more likely to graduate, more likely to enroll in postsecondary education and more likely to earn a postsecondary degree or certificate. And families with CTE students reported greater satisfaction with the quality of education and the opportunities for their students than their counterparts. Nebraska's CTE programs are proven to be successful, yet only 30 percent of Nebraska high school students are CTE concentrators. Right now, Nebraska is the only state that doesn't provide state funding towards these programs. Some schools could start new programs, like imp-- others could implement workplace-based learning, and others would invest in tools and equipment to better their programs. Nebraska high schools who receive Perkins funds are required to develop action plans that identify for opportunities for growth and improvement in their CTE programs. They review local data on local workforce alignment, their own CTE programs and staff, student performance data and work-based learning. The Perkins funds my school district receives is inadequate to fully implement our plan. LB610 is a great opportunity to invest in what works and grow CTE programs in our state so that we can provide students with the skills and knowledge they need to succeed in today's rapidly changing job market. I want to thank you for your continued support of career technical education programs in Nebraska.

CLEMENTS: Are there questions? Senator Vargas.

VARGAS: Thank you for being here. You mentioned that 30 percent of students choose-- are in CTE, CTE concentration? Can you speak to some of the barriers-- what, what does it take to then be CTE concentrated? Is it simply just the availability of that programming or coursework within a school district? Or are there other barriers that we're seeing within schools?

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JON CERNY: Well, well, let's, let's look at the health science, OK, the three-course sequence that I described. There are 244 public high schools-- or, excuse me-- school districts in Nebraska. There are 42 school districts that offer a health science program. 42 out of 244. If you will look at the number of student participation in health science, it's 5,517 students. Whereas if you look at business administration, which most school districts offer, 21,607 students in that. So in health science, there is definitely a lack of programming across the state. And, and why is that? I would suggest that many schools are still in the traditional career technical education programs that a lot of us had. You had shop and you had home ec and those sorts of things. That's not, that's not CTE anymore. And, and I think we need to shift our mindset from CTE being just for certain kids to CTE being for all kids. All kids. CTE will address the kids who are going to be CNAs. They're going-- it will address the kids who are going to be doctors, occupational therapists, physical therapists. So all kids need to be involved in CTE.

VARGAS: And just a follow-up. You mentioned that schools are-- or, you said schools are cre-- are creating action plans for T-- CTE programming. Is that a requirement--

JON CERNY: Federal-- yes. Federal Perkins requirement.

VARGAS: Federal Perkins requirement. So for all schools or just ones that-- or specific schools?

JON CERNY: If you accept Perkins funds. If you want Perkins funding, you have to have a, a action plan.

VARGAS: OK. OK. Thank you.

JON CERNY: Um-hum. You're welcome.

CLEMENTS: Senator Dorn.

DORN: Thank you, Senator Clements. And, and thank you for being here. A follow-up on that question. About how many accept Perkins funds? What percent?

JON CERNY: That's a good question. I'm not sure. I, I would hope that, that someone following me will have that answer.

DORN: OK. Thank you.

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JON CERNY: Sorry.

CLEMENTS: Other questions? Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thanks for coming. So I was reading the, the fiscal note and it says each district shall receive at least \$15,000. Are you talking about only those districts that have CTE? Are you talking to every district?

JON CERNY: Well, all public schools, 100 percent of Nebraska public schools have C-- have at least one CTE program.

ERDMAN: OK. So you said there's 244 school districts. At \$15,000, that's \$3.66 million. Where's the rest of the money going? Or are there some districts get more than \$15,000?

JON CERNY: There will be some districts that get-- it is a minimum \$15,000. I believe that this bill will match whatever this Perkins is, is providing to those school districts. And, and I don't know exactly. I know that Omaha gets about \$850,000 in Perkins fund. I would assume that they would get an equal share of LB610, but don't quote me on that. I'm just assuming.

ERDMAN: Will some of this money go to the community colleges? Because they, they send a request to Metropolitan Community College and they're going to get, according to his estimate, \$4.1 million.

JON CERNY: Yes.

ERDMAN: So this does not go just to high schools.

JON CERNY: Correct.

ERDMAN: Or, or public schools. OK. The fiscal note also says, of the amount, that \$306,960 may be used for administration each year, but no amount shall be used for salaries of state employees. So explain what administration is if it's not employee salary.

JON CERNY: That's a good question. I'm not sure I have a good answer for that. I, I, I understand that the money is going to be appropriated through Department of Education, and so I would, I would defer to them to be able to answer about how would the administration--

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ERDMAN: That's kind of peculiar. It can be for administration of the program, but it can't be used for salaries. How else would you administer the program?

JON CERNY: My guess is that it would be for, for administrative activities of some sort. Maybe professional development, those sorts of things.

ERDMAN: There has got to be some human involve-- involvement there to do that. It just didn't make sense. Thank you.

JON CERNY: Right.

CLEMENTS: I had one question.

JON CERNY: Yes, sir.

CLEMENTS: And Senator Lippincott may need to follow up with this later. I thought he said, if, if we implement this, then the state reduces its funding that the federal Perkins amount would reduce. Was that what he said?

JON CERNY: Right.

CLEMENTS: If we go with \$8 million and the fed's \$8 million. Then we switch to \$4 million, then the feds switch to \$4 million.

JON CERNY: You're right. The, the federal government has this idea that fund-- federal funds should supplement, not supplant, state funding. So if you're going to reduce your share, they're going to reduce their share.

CLEMENTS: So if we fund this at \$4 million, then the federal will only be at \$4 million. Is that it?

JON CERNY: If you commit to that-- the dollar figure of \$10 million and you decide to go down, yes, you would, you would be at risk of losing some federal Perkins funds.

CLEMENTS: [INAUDIBLE]. 50/50 match or [INAUDIBLE]. And that might be a reason why the state hasn't contributed in the past?

JON CERNY: It's possible.

CLEMENTS: All right. Thank you. Thank you for your testimony.

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JON CERNY: Certainly.

CLEMENTS: Additional proponents for LB610?

KIRK PENNER: Good afternoon. Thank you, Senators. My name is Kirk Penner, K-i-r-k P-e-n-n-e-r. I am the District 5's State Board of Education representative. I need to make it clear that I am not speaking on behalf of the State Board of Education. Nebraska is suffering from two issues that LB610 will resolve: one, businesses can't find workers; and two, young people are leaving our state in small communities. We are experiencing the outmigration of our most valuable asset: our children. LB610 is a game changer. As the former president of the Aurora Development Corporation in charge of recruiting and expanding businesses to our community, we discussed three spokes needed for growth. First, we need the actual business. Second, the business needs employees to work in their business. And third, these employees need housing. Nebraska has offered many types of business development incentives in the past and established the rural workforce housing grants, which is great, but we are missing the third spoke: the employee. LB610 addresses this spoke. We have a captive audience sitting in our local schools every day. Students are looking to see what the future holds for them once they graduate. These students are our next nurses, welders, machinists and educators. These careers are all part of the career and technical pathway. Students need to be introduced to these opportunities in middle and high school to help them understand that these trades are in high demand. At my company, Penner Manufacturing, my business will-- would suffer if my welder or machinist left, because you just can't find welders and machinists. I own part of a nursing home. We can't find nurses and certified nursing assistants. We have far too many students heading to the university or state college system that, quite frankly, should be gaining their certificate in high school and attending community college. Many times, these students don't know these types of careers exist and that would be-- and that they would be employed earlier in life and leave school with little, if any, debt. In addition-- in addition to the financial savings to the district-- to the student, excuse me-- CTE students most likely will attend a regional community college, staying closer to home for their education and for their future employment. LB610 will help reduce the outmigration of our student-- of our children. As you know, the vast majority of schools in Nebraska receive no state equalization aid. We are funding workforce development on the backs of farmers and homeowners who have-- who are already overtaxed. Career and technical education is workforce development, and workforce development funding

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should come from the state. LB610 addresses the employee issue in Nebraska and can have imm-- immediate impact. We don't have to wait years down the road to see the results. LB610 introduces our young people to the jobs of the future while keeping them in Nebraska to help the state grow. I ask for your support of LB610. Thank you.

CLEMENTS: Are there questions? Seeing none.

KIRK PENNER: Thank you, Senator.

CLEMENTS: Thank you for your testimony. Next proponent. Welcome.

DAVID SLATTERY: Thank you. Good afternoon. Good afternoon. My name is David Slattery, D-a-v-i-d S-l-a-t-t-e-r-y, and I'm the senior director of advocacy for the Nebraska Hospital Association. I also serve on the board of the Nebraska chapter of HOSA, the career and technical student organization that is for high school students interested in healthcare occupations. In addition to the Hospital Association, I'm also representing the Nebraska Medical Association and the Nebraska Rural Health Association. Throughout Nebraska, hospitals and other healthcare providers are experiencing workforce shortages. These shortages cause considerable strain on the healthcare system, especially since an aging population is expected to need more healthcare services in the immediate future. And many of today's healthcare professionals are nearing retirement age. The success of the healthcare system is dependent on the availability of properly educated and trained professionals. Hospitals throughout the state are in dire need of every healthcare profession you can think of. The cost of workforce has the greatest financial impact on hospital budgets, and labor budgets are up 36 percent since 2020. The NHA has been working with several organizations on ways to encourage junior, junior high and-- junior high and high school students to become more interested and involved in health sciences and medical professions. Additional funding for CTE programs will allow our future workforce to sharpen their skills with modern equipment found in emergency rooms and surgical centers or begin new health science programs in their schools. More CTE funding can help students work in healthcare settings at an earlier age and place them in hospitals and healthcare settings more quickly. Additionally, the, the problem remains that CTSOs like HOSA are severely underfunded, understaffed and need exposure. CTSOs need assistance from our leaders willing to invest in their careers and technical education opportunities. LB610 will have a huge impact on future healthcare workforce, and we ask the committee to advance the bill. Thank you. And I'm happy to take any questions.

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And if I may address some of the previous questions as well with the fiscal note--

CLEMENTS: Yes. Go ahead. You--

DAVID SLATTERY: --if that's all right.

CLEMENTS: Yeah. Go ahead.

DAVID SLATTERY: OK. So the amendment should address the problems. So you, you did the math. There's 244 districts. And I think with the minimum threshold of each district exceeding \$15,000-- so that would only apply to about 2-- 214 or so districts because Omaha, Lincoln, they wouldn't-- they, they, they would make more than \$15,000. There's about 214 districts in the state that-- they don't get \$15,000 currently in the state. So that's where-- with, with the amendment. So that should be about the \$2.232 million. That's, that's kind of-- that-- 214 districts would get, at \$15,000 should be around \$2.23-- sorry-- \$2.32 million. I'm not a math guy.

CLEMENTS: OK. Well, I just divided 2.32 by 15,000. I got 139.5.

DAVID SLATTERY: 130-- I'm sorry. That was-- my understanding-- we have some other people that might also address that. But the idea-- and, and that's where the formula-- it's just my understanding that some schools make over \$15,000, so they wouldn't be part of that minimum threshold of the \$15,000 because they would be excluded from that total amount, so the amount would be \$2.3 million.

CLEMENTS: Any other questions?

DAVID SLATTERY: Oh, also-- Senator, I'm sorry. Also-- so it's my understanding too-- so if we were-- if the future Legislature were to discontinue any kind of funding for the CTE programs, that they would have the opportunity to a, a voucher or waiver with the federal government. Let's say Nebraska's economy goes south and we have to cut funding from the CTE programs. They would be able to apply for a federal voucher for maybe a year or two to maintain that funding. But if they were to discontinue funding for longer term-- a longer term than what we're providing, the \$8 million that we're asking for as that federal match, then-- let's say it's 20 percent, then the state would go down to 20 percent-- or, the federal match would go down 20 percent in the future as well. So they, they-- the, the incentive is to continue to do CTE funding.

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CLEMENTS: All right. Thank you. Thank you for your testimony.

DAVID SLATTERY: Yes. Thank you.

CLEMENTS: Next proponent. Good afternoon.

JACK MOLES: Good afternoon, Senator Clements and members of the Appropriations Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association. And today, I'm also speaking on behalf of the Nebraska Council of School Administrators, Schools Taking Action for Nebraska's Children's Education, and for the Greater Nebraska Schools Association. And I'd like to voice our support for LB610. We thank Senator Lippincott for considering the needs of Nebraska's students by providing more funding for CTE programs. School districts that have received more than \$15,000 in Perkins grants-- or, Perkins funds can operate on their own. These funds are used to accentuate their CTE programs. Some of those districts do choose to enter into ESU-based consortiums. Funds from the-- from LB610 would assist those districts in growing their programs. School districts that have received less than \$15,000 in Perkins grant funds are required to consort with other smaller districts. Most often, these consortiums are formed through the educational ser-- service unit. Together, the schools in the consortium decide what to do with their combined funds. In many of the ESUs, there are only a few schools that receive enough Perkins funds to operate on their own. The ESU consortiums have used their funds basically in a few ways, including purchase of CTE equipment, professional development and purchase services. When the consortium chooses to purchase a piece of equipment, there-- that equipment is then shared between the schools throughout the year. For example, one-- one ESU consortium purchased a plasma cutter. A participating school might have that piece of equipment for only about a month during the school year. Perkins funds are welcomed by schools, but smaller schools do not have as much latitude in their use. LB610 would provide all schools, but, but specifically smaller schools, with more latitude in how these funds are used. Districts could still decide to collaborate or consort, but they would also decide to-- could also decide to work on their own. As more attention is being placed on workforce development and CTE, schools are looking at how to expand their programs. The Governor has made it known that he supports more efforts in relation to careers education. LB610 would certainly play into his plans. We also support that, that thought and encourage you to move LB610 forward.

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CLEMENTS: Are there questions? So you're saying that there's more latitude when you use state money than when you use federal money?

JACK MOLES: Yes.

CLEMENTS: That's a real theme we've been seeing with several things that we've been asked to fund along with federal funds. So that makes sense. Any other questions? Seeing none. Thank you for your testimony.

JACK MOLES: Thank you.

CLEMENTS: Next proponent. Welcome.

JUSTIN PFENNING: Good afternoon, Chair Clements and the members of Appropriation Committee. My name is Justin Pfenning, and I'm co-- oh, sorry. Spelling. J-u-s-t-i-n P-f-e-n-n-i-n-g. And I'm co-owner of Dramco Tool Company in Grand Island, Nebraska. Dramco manufactures molds for automotive and aerospace metal stamping dies for ag and heavy equipment, custom machines to automate assembly lines and we fabricate sheet metal components for a wide variety of manufacturers. We've been in business since 1978 and currently employ 60 people. I'm here today to speak on behalf of LB610, both on behalf of my business and on behalf of the Nebraska Chamber of Commerce and Industry. I've also been asked to sign in and testify on behalf of the Lincoln Chamber of Commerce, the Omaha Chamber of Commerce and the Nebraska Economic Developers Association. Dramco has been a long-time supporter of career and technical education courses at Grand Island Public Schools. We participate on the advisory board for the manufacturing pathway and also participate in the apprentice program. From its inception, career pathways has utilized the Perkins grants to purchase capital-intensive equipment needed to train students on industri-- industry-specific equipment. This allows the students the opportunity not only to learn about the career in the classroom, but get the hands-on training and experience to prepare them for employment after graduation or continuing education towards an associate's degree. The impact of these CTE programs in high school and postsecondary institutions has had a positive effect on Dramco's growth. We've had 10 high school students work at Dramco part time in the apprentice program, with 6 of those students continuing on to postsecondary training and returning to Dramco as full-time employees. Currently, over 75 percent of our employees have graduated from postsecondary CTE programs. The pipeline of employees-- this pipeline of employees has allowed Dramco to grow and meet our customers' needs. The demand for employees in manufacturing is stronger than ever. These jobs offer

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excellent starting wages with benefits like health insurance and 401(k) plans. They also offer nearly unlimited advancement opportunities. The advancement of LB610 will expand the ability for CTE programs to give training and education based on industry-specific equipment, growing the skilled workforce in Nebraska. On behalf of my business and the organizations I'm here representing, I respectfully urge this committee to advance LB610. Thank you, Senator Lippincott, for introducing this legislation. And I'll be happy to answer any questions that you might have that I can answer.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thank you, Mr. Pfenning. How many employees do you have?

JUSTIN PFENNING: 60.

ERDMAN: 60?

JUSTIN PFENNING: Just a litt-- I think we-- we hired 2 people yesterday, so maybe 62 now.

ERDMAN: 62. Full time?

JUSTIN PFENNING: Yes.

ERDMAN: OK. Thank you.

CLEMENTS: Other questions? Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. Do you happen to know how much Perkins funds Grand Island Public School gets right now?

JUSTIN PFENNING: I, I don't know the answer to that question, no.

DORN: Thank you.

JUSTIN PFENNING: Sorry.

CLEMENTS: And I have one question. The workers you get, have they been through the SkillsUSA program? Is that the program that turns out--

JUSTIN PFENNING: Yeah. So, so--

CLEMENTS: --[INAUDIBLE] machinists?

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JUSTIN PFENNING: Grand Island Public Schools has a career pathway program that has a manufacturing component to it. And so a lot of our employees that we've, we've hired over the last five years or so have been through that manufacturing pathway. And a large majority of those students participate in SkillsUSA.

CLEMENTS: Very good. Seeing no more questions. Thank you for your testimony.

JUSTIN PFENNING: Thank you.

CLEMENTS: Next proponent. Welcome.

BRAD WILKINS: Thank you. Members of the Appropriations Committee, thank you for the opportunity to address you today. My name is Brad Wilkins. That's B-r-a-d W-i-l-k-i-n-s. I am a school board member from Ainsworth Community Schools, and I also serve as past president of the Nebraska Association of School Boards. I'm here today in support of LB610, which appropriates money to career and technical education and CTE organizations. I offer full transparency here today when I tell you that I'm a huge proponent of CTE and CTE organizations. The last large capital investment made by our district was an addition of industrial technology in agricultural education space. After engaging business and industry leaders and other stakeholders, our board made the decision to invest nearly \$3 million to replace and expand learning space from the 1930s. Memorabilia from the old ag room only highlighted how much our industry has changed from the Model A John Deere to the new self-driving models of today. We took a page from the FFA creed and determined that if we truly believed in the promise of better days through better ways, then we needed a 21st century training ground. Today, each of our junior and senior high school students are exposed to industrial technology, consumer science, agricultural education and the corresponding CTE organizations. I support investment in all CTE organizations, whether it be FCCLA, FBLA, SkillsUSA or FFA because they provide leadership and skills development. Although I can only speak to my involvement in FFA, I am certain that there would be similar stories across all CTE organizations. One powerful conversation that demonstrated the impact of FFA leadership development was the discussion that I and my fellow school board association officers had about our leadership growth. Although we represented Ainsworth, Nebraska City and Lincoln Boards of Education, we each traced our early development to involvement with our local FFA chapters. I'm sure that the same could be said of many members of this body as well. I confidently say that

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career and technical education and involvement in associated leadership organizations have had a profound impact on me and my family. My experiences led me to own a grain and feed business that employs eight people in Nebraska and South Dakota. Three of my four children have had the opportunity to gain leadership experience as state FFA officers. The oldest is back in Nebraska and works in ag sales for Bayer. The other two are ex-students here at UNL in engineering and ag education and leadership. My point is that LB610 is not about spending. It's about investing. Any good investor expects return on their investment. Today, I can confidently say that CTE and CTE organizations have a proven record of sound returns and a bright future for the same. Thank you. I'd be happy to answer any questions.

CLEMENTS: Any questions? Are any of your businesses contributing to the CTE program at the school?

BRAD WILKINS: Yes. As a matter of fact, our school has a cooperative education experience, and we currently have two students that come for about 2.5 hours every day that are getting training and are, are learning our industry.

CLEMENTS: And that building that you built for \$3 million, was that done with the vote of the people?

BRAD WILKINS: It actually was done through Special Building Fund, but we did involve our stakeholders. And I feel like we have a great deal of community support. Our stakeholders recognize the importance of training and growing our own. You know, in, in a community like Ainsworth, it's hard to attract people to move in. So if we're going to grow our community, we have to make something that will attract our students.

CLEMENTS: All right. Thank you for your testimony.

BRAD WILKINS: Thank you.

CLEMENTS: Next proponent. Welcome.

JONATHAN SCHULTE: Thank you. Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Jonathan Schulte, spelled J-o-n-a-t-h-a-n S-c-h-u-l-t-e, and I'm here to testify in support of LB610. With an ever-aging skilled trades workforce, Nebraska needs to urgently invest in CTE programs to ensure not only sustained economic growth, but growth that thrives. We cannot afford to be the only state in the country that does not provide support to

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CTE education. LB610 is correct in stating an emergency exists. Currently, I'm employed by Nebraska Public Power District as a member of their energy education team. I came on board with the district around June 1. But previous to that, my wife and I owned and operated our own dental clinic in rural outstate Nebraska, in Atkinson. I know firsthand from the needs of trying to recruit skilled labor to be in the medical field. We often struggled to find registered dental hygienists, dental assistants. So if we are trying to make the case that we-- we as Nebraskans need to invest in CTE because, otherwise, we're not going to be able to sustain the growth that we need. We talk about growing GDP, but in order to do that, large manufacturers are also switching over to robotics because we can't find the technicians that we need. Through my job, I work with STEM education and awareness around the state, providing resources, events and opportunities to schools within our wholesale and retail operating footprint. Keep in mind: I want to stress I am here on my own volition. I am not representing NPPD. I am just saying what I do for a living now. As a licensed journeyman electrician in the state of Nebraska, I've been in the trenches. I've been with the people that these programs are going to support. The outfit that-- I was employed in Atkinson, Nebraska. We did HVAC, we did plumbing and we did electrical. It made it easy because it was a one-stop shop. But I can tell you it is hard to find and retain those skilled laborers to stay in those businesses. Like a lot of trades, the benefit of a trade job is there's a progression. You start as an apprentice, you gain the experience, you gain the knowledge. And a lot of them, it's self-perpetuating. You're going to find a lot of third-, fourth-generation electricians, plumbers, contractors. I decided when my wife and I broke ground on our dental clinic, which we built by ourselves, we decided that-- at the time, I worked hand in hand with the plumbers and the electricians on the job site. I found, as an old farm kid, I enjoyed the physicality of the labor, and I slept really good at night. I decided to go back to Northeast Community College, and I enrolled in their electrical construction and control program. I know that I have reaped the benefits of a community college education through Northeast. I've enjoyed the benefits and the relationships that I formed while I was a student at college. 88 percent of students who complete programs at our community colleges stay in the state. Job satisfaction remains remarkably high. 83 percent of tradespeople are either somewhat or extremely satisfied in their choice of work. So how do we address this current emergency that is looming before us? LB610 is our life preserver that we need. We need industrial tech classes. We need robotics classes. We need SkilledUSA-- SkillsUSA. And we need all of

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the CTE programs funded at the middle and high school levels. We need to fund this education earlier than later in the high schools. We need to inspire these young men and women that-- when I was going for my degree for computer information systems-- it was pre-Y2K, and programming was the thing to go into. Programming is still the thing that we need to start incorporating back into some of these programs. But it all starts by increasing the students' awareness and exposures to the opportunities and benefits the skilled trades have to offer. I recognize the multiple priorities coming to the Appropriations Committee this session, and I ask for your careful consideration of this request to support our industries with skilled and trained workforce. In closing, I would like to thank Senator Lippincott for introducing this bill. This concludes my testimony. And I'd be more than happy to take any questions.

CLEMENTS: Any questions? Seeing none. Thank you for your testimony. Next proponent, please. Good afternoon.

JASON THOMSEN: Good afternoon, distinguished members of the Appropriations Committee. My name is Jason Thomsen, J-a-s-o-n T-h-o-m-s-e-n. I'm the curriculum specialist, CTE curriculum specialist for Lincoln Public Schools. I'm here today to speak as a proponent of LB610. This is an incredib-- incredibly important bill because we have seen great benefits to our students and local businesses and industries as a result of our career education. LPS provides many career preparation opportunities in our middle and high schools. All students take career education courses in middle school, and students must meet a career education credit requirement in order to graduate high school. Many students take a three-course-- cluster of courses within our school to reach postsecondary career experiences while still in high school. In addition, LPS, like most other districts, offer programs and direct partnerships with local businesses and industry. LPS also offers the Career Academy, which is a partnership between LPS and Southeast Community College that provides 16 different college-level career education programs for high school students designed in partnership with local industry. Our students attend similar advanced career programs at our high schools, including partnerships with UNL's agricul-- agricultural sciences and business, Bryan College of Health Sciences and Duncan Aviation. All of these programs are put in place to provide students the opportunity to learn the skills necessary to follow their dreams into the career of their choice in their local community and beyond. That career may require advanced training after high school, after obtaining an associate's degree, a bachelor's degree or an advanced degree, but it

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begins in high school. Even with all of these efforts, we still have a gap from where our students are to where they want to be, which is an engaged-- in a meaningful career as productive citizens of their community and state. LB610 provides the additional funding that will help fill the gaps in our existing program that cannot, cannot be covered by Perkins funding. These gaps are expensive for the local school district to fill, yet essential for an effective partnership between our school career education and community workforce development. Let me share a couple of examples of areas where additional funding could dramatically increase the career work that students could experience and make schools better postsecondary workforce partners. We can use Perkins to purchase pieces of equipment, like 3D printers, heat presses, industry printers, ovens, stoves, et cetera. However, we can't use Perkins to purchase the expensive consumables that we need to utilize our equipment, such as filament necessary for the 3D printers so students can design and print their work, food items that are utilized in culinary classes so students can learn their culinary skills, raw materials such as lumber, sheet metal and pipe for skilled and technical science classes and bulk thread and fabric for our clothing, textiles and design courses. The cost of consumables can limit the number of touches students get with the equipment and limit the number of courses that we can offer. This funding makes it possible for schools to become better partners with our local businesses and industry, help students realize their career goals and build a stronger community. Finally, many students in LPS participate in CTOs such as FBLA, DECA, HOSA, SkillsUSA, FFA, Educators Rising and FCCLA. Currently, there are heavy restrictions on use of Perkins funds for CTSOs, so the funds to facilitate these programs come from our instructional budget, which limits our programming, or it comes from families. Additional funding removes the burden of the instructional budget and removes the financial barriers that limit access to programs for some families. For these reasons, we support LB610. And I would be happy to answer any questions that you may have.

CLEMENTS: Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. I, I believe I heard you right. You said you have certain hour-- I mean, some hours that are required for graduation of these CTE hours?

JASON THOMSEN: Correct. Essentially, we have 20 hours that's shared with arts.

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DORN: OK.

JASON THOMSEN: So every kid does have to take at least one CTE course. Or if they only take one art class, they would have to take three CTE courses.

DORN: CTE courses. Is that a Lincoln Public Schools or is that a-- or do you know, are there state, I guess, statewide guidelines?

JASON THOMSEN: That is an LPS graduation requirement.

DORN: OK. Thank you.

CLEMENTS: Other questions? Seeing none. Thank you for your testimony.

JASON THOMSEN: All right. Thank you.

CLEMENTS: Next proponent.

ALIVIA OLSON: Hello. Good afternoon.

CLEMENTS: Welcome.

ALIVIA OLSON: My name is Alivia Olson, A-l-i-v-i-a O-l-s-o-n, and I'm the state vice president of Nebraska FCCLA, which stands for the Family, Career and Community Leaders of America. We're a career and technical student organization centered around family and consumer sciences. FCCLA is an incredibly important part of my life, and I can say with confidence that it's the reason I am able to speak to you all here today. I've learned advocacy, teamwork, time management and so many more important skills for my future. I would love to share more about my experience in FCCLA if you have any questions. But just as I am a state officer, I am also a student. You're likely going to hear a lot of numerate-- numerical statistics, as you already have today, about the importance of CTE to students and the future workforce of our state. But what I think is equally important is to hear the personal experiences of students who are currently benefiting from quality CTE. As a senior at Kearney High School, I am one of the few students here in Nebraska who can say that CTE has been deeply integrated into my high school curriculum. Our school is architecturally designed with CTE in mind, so we have specified areas of the building that relate to classes of each career clusters. It's through Kearney High's unique resources and unique funding that I have found my passion for engineering. It's through our health science classes that I've realized I do not want to be a doctor. The

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experiences I've had in my career-focused classes have taught me skills that I could not have learned in my math classes or other core classes. I've been forced to get outside my comfort zone, speak to people, speak to adults like you guys, advocate for myself and my community, work with people who are different from me and so much more. These classes are the reason I'm prepared to face life after high school. But the vast majority of students in this state cannot say the same. This law would give students across the entire state to have the opportunities that I have had all along to explore their interests, work with people and gain applicable career skills. As one of the eight members of my officer team, I am the only one who has engineering classes offered at my high school. I'm the only one who was offered field experience in my health science classes. I'm the only one who has access to every single CTSO that this state offers. This disparity is not only negative-- negatively impacting current students, but it creates an unnecessary disparity between us when we leave high school. I'm better prepared to face life after high school than my peers simply because my community has more resources and funding than specifically rural communities. This bill is so much more than money. It's about supporting students, all students from all communities. With that, I would like to thank you all for your time and consideration. And I'd love to answer any questions you may have.

CLEMENTS: Are there questions from the committee? Did you just say Kearney High School?

ALIVIA OLSON: Kearney High School, yep.

CLEMENTS: All right. Well, thank you for your testimony.

ALIVIA OLSON: Thank you very much.

CLEMENTS: Additional proponents. Welcome.

JALENE CARPENTER: Hello. Good afternoon, Chairman Clements and members of the Appropriations Committee. I know you've had a lot of testifiers. I will keep this brief. My name is Jalene Carpenter, J-a-l-e-n-e C-a-r-p-e-n-t-e-r. I'm president and CEO of Nebraska Health Care Association. And on behalf of our 418 nonprofit and proprietary nursing facility and assisted living communities, I'm here to testify in support of LB610. I want to thank Senator Lippincott for bringing this important legislation. Support for workforce education and development is critical to addressing the staffing challenges experienced by all Nebraska industries. However, this is an acute and

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critical issue for nursing homes and assisted living facilities. We are an industry that is down 11.7 percent of its prepandemic workforce, and this crisis has contributed to closures and restricted access to long-term care in all parts of our state. Increased funding to support competitive wages and rising costs remain a priority for our facilities. However, we are also looking towards the future, and we need to find a sustainable workforce, and that's why we believe in this legislation. As a solution-based association, NHCA asks for your vote in support of LB610 to continue to support students seeking career opportunities in Nebraska, hopefully those in long-term care. I'm happy to answer any questions.

CLEMENTS: Any questions? Seeing none. Thank you for your testimony.

JALENE CARPENTER: Thank you.

CLEMENTS: Additional proponents. Good afternoon.

KATIE GRAHAM: Good afternoon. My name is Katie Graham, K-a-t-i-e G-r-a-h-a-m, and I have the great privilege of serving as the administrator and state director for Career and Technical Education at the Nebraska Department of Education. Thank you, Chairman Clements and members of the Appropriations Committee for this opportunity to discuss how CTE programs are key to Nebraska's economic vitality. We appreciate Senator Lippincott and partners across the state who worked in the development of LB610. I'm here today to answer any questions. I've heard a couple that I think I could help with that you might have related to Perkins or career and technical education.

CLEMENTS: Are there questions? Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. And I don't know if you're the right one to ask or not. Some of the original-- or, the earlier fiscal notes said that this requested funding that would be split up between what I call the Department of Education and also secondary schools. Do you know if that's still the case with it or not or--

KATIE GRAHAM: I'm happy to answer. That's a great question. So, currently, the Perkins funding that we receive from the U.S. Department of Education is split between secondary and postsecondary education at a 60/40 split. So 60 percent of the funds flow to the districts that choose to participate. I heard that was a question. There are only seven districts in the state currently that do not

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accept the Perkins funds. So the majority of districts do. The idea behind this bill was to match what's happening federally. So that's where we started, and that was where the \$8 million came from. And then once we gave everybody the, the double, essentially, we realized that when you double \$890, you still can't do a whole lot, and that's where I think the threshold for the minimum came in. So we doubled everybody's. And then anyone who didn't meet at least that \$15,000, that's where the extra \$2 million comes in. That's what bumped all of those districts. So they would get the double, still didn't hit \$15,000, and so that's what it would take to get all of those districts. It was 213 that would need that bump up to the \$15,000.

DORN: Back to my other-- original question [INAUDIBLE]. Is part of, is part of this bill-- and maybe I will ask Senator Lippincott-- is part of this bill still going to be for postsecondary education? Or is it all going just to the schools?

KATIE GRAHAM: So it would mirror what we're doing with the federal dollars. So 60 percent would flow to the secondaries--

DORN: It would mirror.

KATIE GRAHAM: It would. And 40 percent to the great community colleges.

CLEMENTS: Senator Vargas.

VARGAS: Thank you very much. So one of the questions I had was-- and I didn't ask this question, but I've been thinking about this, is we often have really good programs that maybe we don't fund with general funds or we fund with something else or we get some federal funds. And I, I don't always know what role the department is playing, you know: Department of Economic Development or Department of Natural Resources. So is this-- are you operating more as a passthrough organization, which sometimes happens, where the money is going to you and then it's being distributed through this formula to the districts? Are you playing an administrative role in certifying some of these CTE programs that currently exist? Is their reporting requirements to you? Is there anything on efficacy to demonstrate that it's working? And-- want to see if you could speak to that.

KATIE GRAHAM: I'd be happy to. Those are also very great questions. So the department's role-- there's many roles. I would say primarily, as you mentioned, as the recipient of the federal funds-- our State Board

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of Education is the recipient. We do play a very large passthrough role. 85 percent of the Perkins funds flow directly through to the school districts and the community colleges. We also have staff that serve as content specialists in each of the different areas to help teachers and provide professional development. We also help and work with those other agencies. You mentioned Department of Labor, as well as a lot of business and industry to develop those sequence of courses. In some states, they require-- or, not require. I suppose it's the only option for school districts that have to do all of that legwork to try to talk to business and say, what are those skills and knowledge that students need? We do a lot of that at our level and then have those made available to school districts. So there's a lot of working with business and industry. With Perkins, there's also a lot of accountability indicator requirements. So we are held to certain standards in a lot of areas: so graduation rate being one; CTE student performance on all of the different assessments in English, language arts, math and in science. We also are held accountable to the number of students who are participating in work-based learning opportunities and that are participating in programs that are not traditional for their gender.

VARGAS: And as a follow-up, that-- if you could provide this with us, since you mentioned that you are tracking CTE performance, I'm assuming that's on some of our state's standardized assessments. Or is there some other type of assessment?

KATIE GRAHAM: So for Perkins, we mirror our ESE plan, which is the Elementary and Secondary Education Act. So whatever assessments are used for that, Perkins then uses the same assessments, but we have to report just on how our CTE students are doing in those areas as well.

VARGAS: That would be helpful just to be able to corroborate, corroborate that putting money toward something like this is also not only better encouraging the numbers that we have within the ESE plan for the CTE students that were going to get a bigger return on investment, which is what I assume. I, I-- you know, I, I support CTE programs and I'm, I'm, you know, very supportive of this, this idea. But it would be great to get some of that data if you could share it with us.

KATIE GRAHAM: Would be happy to. You'll, you'll notice once we give it to you-- often, CTE students outperform their peers who are not, as, a lot of times, the CTE classes are where they can apply a lot of the

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knowledge. And it, it brings that contextual nature to a lot of the learning. Thank you. We can get that for you.

VARGAS: Thank you.

CLEMENTS: Other questions? One person said that 80 percent of grade 7 through 12 students are in CET [SIC] programs that's statewide--

KATIE GRAHAM: So that would be-- each year, about 80 percent of students annually take at least one CTE course that is statewide.

CLEMENTS: And the Perkins fund, sounds like they're used for equipment but not supplies. Is that what you're finding?

KATIE GRAHAM: That is true. So with supplies, the consumables that were mentioned, Perkins funds would not be allowable for those purposes. Aside from equipment, which is the bulk of the use is-- the industry-grade equipment is very expensive. A lot goes into professional development for teachers. Upskilling for teachers where they might be in a very skilled trade area or any of the areas and things are advancing so quickly, they can use those funds for additional training for educators so they can then, then go back to the classroom and teach the students.

CLEMENTS: That's the-- federal funds can be used for that?

KATIE GRAHAM: Um-hum. That's right.

CLEMENTS: All right. Then the state funds are available for unrestricted [INAUDIBLE]?

KATIE GRAHAM: That's a great question. I'm not sure I have the full answer for that specific question, but we would hope that they would support not only the areas that Perkins funds can be used for but those areas that have been mentioned where Perkins funds aren't available. And most of those restrictions come from just a lack of funding. So you're directing them to where we think they would have the most value.

CLEMENTS: And then the all-or-nothing deal where the, the state doesn't fund \$8 million, then that means the federal doesn't fund that much either. Is that right?

KATIE GRAHAM: So there is, in Perkins legislation, a maintenance of effort requirement, where they take any state funds that are earmarked

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specifically for career and technical education and create this baseline of fiscal effort for the state. And so if the state were to make any sort of financial investment and that were to be reduced when they made the recalculation for the state's maintenance of effort, they would proportionately reduce the Perkins funding as well. So as, as mentioned before, it's an incentive to sustain funding.

CLEMENTS: All right. Thank you. Other questions? Senator Dover.

DOVER: Just, just for clarification then. Are you saying that this maintenance that's established because they're looking at monies that are being spent and saying, well, we can count this and we can count this. This is minimum maintenance. [INAUDIBLE] give you this much credit? Is that what you're saying?

KATIE GRAHAM: I believe-- so we get, for rounding purposes, \$8 million in the federal funds. And, currently, the only state funds that are used is the required match of our administrative funds. So our whole maintenance of effort for the state is just those administrative funds. If we were-- if LB610 were to pass-- and we'll round and say \$10 million-- they would calculate a new maintenance of effort baseline for us. That would now be the funds appropriated from LB610 plus that administrative match. And then every year thereafter, you know, they would look. And if any of the state funding were to be reduced without a waiver or anything else that was mentioned, the federal funds, they said they will reduce at the same rate that the state funds were reduced.

CLEMENTS: Senator Vargas.

VARGAS: [INAUDIBLE] clarifying for that. So will we get-- we say-- we-- this passes and let's say it's \$10 million. Will we get additional federal funds as part of this sort of like new-- a new commitment from the feds?

KATIE GRAHAM: That would be incredible, but I do not believe so.

VARGAS: Oh, OK. OK.

KATIE GRAHAM: I would-- I think that it is--

VARGAS: I'll put that out there in case they're, in case they're, in case they're listening. But-- so then afterwards-- so we get \$10 million, the existing \$8 million is still--

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KATIE GRAHAM: That's correct.

VARGAS: --still there. But if we ever decreased it, they, they'll just start taking away their federal money.

KATIE GRAHAM: So we-- yes. There is a process. If the state's revenue were to decline or there was a pandemic, for instance, we would be able to apply for a waiver, but the expectation would be, after the period of the waiver, the state would then increase back to the original funding.

CLEMENTS: Senator Dover.

DOVER: I apologize if this has already been answered, but-- so what is, what is the net-- if this would be funded, what is the, what is the net funding that we would receive from the federal government?

KATIE GRAHAM: So they use their own formula for every state, similarly to how we do the distribution formula in this state. So we're currently at about \$7.9 million. I did just see that, in the President's budget, there was an increase for the basic grant, which is what they call the funds to the states, \$545 million. But last time we saw an increase-- because it's done by population-- Nebraska didn't see a very big bump. In my eight years that I've been here, we've only increased about \$1 million. We were about \$6.8 million. Now we're about [INAUDIBLE] \$6.8.

DOVER: So if we fully funded this legislation then my question is, what would happen to the funds we're currently receiving from the federal government?

KATIE GRAHAM: Those would remain and continue to be distributed to schools.

DOVER: I thought you said it would be reduced.

KATIE GRAHAM: It would only be reduced if-- for instance, if this were passed this year and then two years from now, we say no more with LB610. It's not in our [INAUDIBLE] budget. That's when they would come and say, you reduced by 100 percent. Your federal grant is now going to also be reduced by 100 percent. It would be reduced by the same rate.

DOVER: So are you saying once you go up, you can't come down?

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KATIE GRAHAM: Your federal grant would be impacted at the same proportion.

DOVER: All right. Thank you.

CLEMENTS: Other questions? Seeing none. Thank you for testimony.

KATIE GRAHAM: Thank you all so much.

CLEMENTS: Are there other proponents? There are chairs in front. If there's anyone else wanting to testify, move to the front, please. Welcome.

BEN WELSCH: Thank you, Chairman Clements, members of the Appropriations Committee. My name is Ben Welsch, B-e-n W-e-l-s-c-h. As an educator and currently a teaching and learning fellow, I'm here today to speak in support of LB610 on behalf of the Nebraska State Education Association. As written, the NSEA supports LB610 in appropriating money to the State Department of Education to fund career and technical education programs and career and edu-- education student organizations. With the current economic climate and shortage of teachers, especially in career and technical education in Nebraska, now is the time to focus on engaging students, schools and teachers in career paths towards technical education. Whether it's giving students the opportunity to explore classes about CTE in middle and high school or helping students complete their final coursework or apprenticeship before getting their associates degree at a community college, LB610 helps build that foundation for the future. Students need the resources and hands-on experience to see what having a career in technical training is all about. Students also need teachers to help them learn the trades and practice their skills to be ready to engage in their future career. If students don't get those experiences before entering college, they are at a disadvantage to their peers who have technical education embedded into their middle and high school coursework. All students in Nebraska should have access to high-quality instruction and hands-on experiences in the career and technical education fields. We believe LB610 provides the financial resources to continue to establish more middle and high school programs across the state that can help students enter the college pathways of high-skill, high-wage, high-demand careers that our Nebraska economy needs. Please advance LB610 out of the Appropriations Committee. Thank you. And I'm willing to answer any questions that you have.

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WISHART: Any questions? Seeing none. Thank you.

BEN WELSCH: Thank you.

WISHART: Additional proponents.

STEPHEN JOHNSTON: Members of the Appropriations Committee, my name is Stephen Johnston, S-t-e-p-h-e-n J-o-h-n-s-t-o-n. I've been a public school industrial tech teacher for the past 28 years, presently called skills and technical sciences. I'm here today to speak in support of LB610. As I understand the bill, it will appropriate funding for each of the next two years to school districts for their career and technical education programs. I'm sure you're aware of what is referred to as a skills gap. The need for skilled technical employees has never been greater in Nebraska, and Nebraska is not alone given the situation. Governor, Governor Pillen has said that Nebraska needs to compete, and he is correct. Anything the state of Nebraska can do to promote skilled and technical employees is a positive. It's positive for the state of Nebraska and it's positive for the state. In preparing for my testimony today, I looked up the graduation rates for Southeast Community College in Milford. In 19-- excuse me. In 2022, 80 percent-- 87 percent of the graduates at Milford stayed in Nebraska, many of them here in Lancaster County. There have been headlines about the concern regarding a brain drain here in Nebraska. In other words, graduates leaving the state. The good news is that if you are a Nebraska community college graduate, you typically stay in Nebraska after you graduate. Of course, not all stay, but many do. I often refer to this as economic development, and I know some people do not see it that way and they do not refer to it that way. But in reality and in outcomes, it is economic development. Students who have graduated from two-year institutions with technical skills stay in the state. What better way to describe economic, economic development and to build a skilled workforce in our state? Over the next two fiscal years, LB610 would appropriate a minimum of \$30,000 to each school district for their CTE programs. At first glance, this did not seem like much to me. However, it is not insignificant. In the big picture, this bill will have a greater effect in our smaller, rural districts in Nebraska. The dollars should not be, quote unquote, "spread out so much." I know not-- and I know that such funding is needed for our rural school districts. Larger school districts will need to spread out the funds, so to speak, to their numerous middle schools and high schools. Again, not insignificant, but just spread out more and less impactful than we'd like. Every teacher I know has what I call a wish list. If I could get this, my students were able to do that. I wish I

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could have some money to update that. Or if I could get that, it would really help my students. We need to do what we can to help our Nebraska students learn about good-paying technical careers. Not everybody is capable nor wants to go to college. That's why I'm here supporting LB610. It will help the career and technical education programs and economic development here in Nebraska. Thank you.

CLEMENTS: Questions? Seeing none. Thank you for your testimony.

STEPHEN JOHNSTON: Thank you.

CLEMENTS: I'm going to make an announcement about our schedule-- next, next proponent. All right. So I'll make an announcement now. We're going to-- we'll be going opponents next, if any. But next will be the Department of Education. Then LB681 will be after that, followed by LB48 and LB319 at the request of the Governor. What he says yes, I say yes. Are there other proponents for LB610?

DOVER: Darn. I got overruled again.

CLEMENTS: Seeing none. Are there any, are there any opponents regarding LB610? Seeing none. Is anyone here in the neutral capacity? Seeing none. Senator Lippincott, you're welcome to close. Hello.

LIPPINCOTT: I think LB610 has a lot of very good points on it. It's a win-win bill for kids that are in school. It's for our state and eventually for our taxpayers. So I would appreciate a vote for LB610.

CLEMENTS: Any questions from the committee? Seeing none. Thank you, Senator Lippincott.

LIPPINCOTT: Thank you, sir.

CLEMENTS: And I believe we have position comments. On LB610, we have 59 proponent comments for the record, no opponents, and 1 neutral. And now we will-- that will close the hearing for LB610. And we will now switch to the agency hearing for the Department of Education.

[AGENCY HEARING]

WISHART: OK. And that is going to open the hearing for LB681. We're going to take a moment, though, to let the Chair get up in his position and also switch our budget books. Welcome, Chairman Clements.

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CLEMENTS: Thank you, Vice Chair Wishart and members of the Appropriations Committee. I am Senator Rob Clements, R-o-b C-l-e-m-e-n-t-s. I represent Legislative District 2, and I'm here to introduce LB681. LB681 as introduced is to repurpose the Tax Equity and Educational Opportunities Fund and create the new Education Future Fund as an additional funding source for the Governor's proposed education package, which bills are in other committees. It would transfer \$1 billion in new appropriations for public schools-- that was "billion" with a B-- from the General Fund to the New Education Future Fund in fiscal year '23-24, and, and \$250 million in fiscal year '24-25, with the intent to continue an annual transfer of \$250 million into the fund each year thereafter. I have also filed AM193, which has been handed out to you. AM193 inserts language on page 3 that establish an order of priority for extending the dollars. Excuse me. I'm not on this side of the table very often. I'll give you just a minute to get that. AM193 inserts language on page 3. It establishes an order of priority for spending the dollars from the Education Future Fund. Governor Pillen or his representative will be following me to testify on LB681, which was introduced on his behalf. And we'll have more details on those priorities. I thank you for your consideration of LB681. I will try to answer any questions at this time.

WISHART: Thank you, Chairman. Any questions from the committee? OK. Seeing none. I'm assuming you'll be here for closing.

CLEMENTS: Yes.

WISHART: OK. I'd like to invite the Governor up. Welcome.

JIM PILLEN: Good afternoon, Vice Chair Wishart and members of the Appropriations Committee. Thanks for the opportunity to be before you. You never hear it enough how much Nebraskans appreciate and how hard everybody in this Unicameral works and the Appropriations Committee. I can have a little bit of a grasp of all the numbers that you're going through and all the works. I'm, I'm grateful for it, so. So let me start. Good afternoon, Senator Wishart and members of Appropriations. My name is Jim Pillen, J-i-m P-i-l-l-e-n, and I have the incredible privilege of serving as the 41st Governor of Nebraska. And I'm here to testify on behalf of LB681. First, I think it's really, really important to-- on behalf of Nebraska's kids and Nebraska's parents and Nebraska's property taxpayers to say to Senator Clements, thanks a billion. This bill, this bill is really, really a pivotal piece for education and providing the funding that we need for some historic

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reform with LB681. As introduced, the repurpose of the Tax Equity and Educational Opportunities Fund, this creates the new Education Future Fund. This bill would transfer \$1 billion from the General Fund into the Education Future Fund, and then another \$250 million a year thereafter. The purpose of the Education Future Fund is to provide money for the following. First would be what has been called the foundation aid, equalize the TEEOSA, the non-- the, the districts that are not getting any equalization aid at \$1,500 per student. The second is making sure that we can address the funding issue for special education and then increasing the funding for school districts in a way that results in a dollar-for-dollar property tax relief. The other would be to have resources to fund grant programs so that we can address the teacher shortage-- a real, real wide problem-- fund a grant program to increase current technical education opportunities and fund grant programs to expand mentoring. So that-- no, no kid needs a mentor; every kid deserves one. These grant programs need to be created by the Legislature for suit-- for such purposes. We do have an amendment filed for LB681. That, that was worked out with some of the schools who wanted to make sure that this money would first be used to fund our current TEEOSA formula if, for some reason, funding dropped, as well as the place and-- for special education funding above, above the foundation aid. I've been out and about a lot, and I wish that everybody could meet the families that have children that, as I have, that I say with-- that are God's pleasures, that have different, different disabilities and challenges. And all of those families are, are incredibly grateful for the special education and the special needs that are across our state. The other, the other part is-- I think that's important that we talk about is it's important for this bill is a key piece of the education plan in conjunction with LB583 and LB589. It's really important that these are all moved together. One without the other won't make sense. We, we've had an open line-- our office has had an open line of communication and will continue to communicate with stakeholders, education groups, private and public-- both public and private members of the Legislature and other key stakeholders throughout this process. I believe that together we can and together we will. I think it's really, really important that we have a, a transformative change, and this is a great, great opportunity for the state of Nebraska. I appreciate the chance to visit. Happy to take any questions. Lee Will, that heads up our, our director of budget is here to back me up. Any questions?

WISHART: Thank you, Governor, for being here today.

JIM PILLEN: Thank you.

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WISHART: Any questions from the committee? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. Thanks for coming today, Governor. On page 3-- I'll just read what it says here and I'll, I'll have a question for you. It says-- this says the foundation aid is to increase funding for school districts in a way that results in direct property tax relief, which means a dollar-for-dollar replacement of property tax by state funding sources. So we give a school district \$1,500 per student, they are required to lower their property tax by \$1,500?

JIM PILLEN: So-- we-- also a piece of this is with Senator Briese's [INAUDIBLE] bill to make sure that schools are held accountable and that they're not able to just take that money and do anything. So if, if a school district or a superintendent would say, hey, I want to, I want to spend more than 3 percent, just got to get a supermajority, 75 percent of his board, local control would be able to go along with that. Long as-- obviously, the school board or the people-- 60 percent of the people that vote would go over that, that that-- that would, that would affect the dollar-for-dollar property tax relief.

ERDMAN: Thank you.

WISHART: Any other questions? Senator Armendariz.

ARMENDARIZ: Thank you. Thank you, Governor, for being here. I did get some feedback from a superintendent in Bennington, and they are ready-- they already receive extra dollars from the state through the TEEOSA formula. So how would they--

JIM PILLEN: Could you, could you speak up? I'm sorry, Senator. I just couldn't hear you.

ARMENDARIZ: How would the districts that are already receiving TEEOSA--

JIM PILLEN: Yes.

ARMENDARIZ: --funds be affected by this?

JIM PILLEN: So there's, there's a-- that's a great question about the, the districts that receive equalization aid. And there's a commitment throughout all the work is to make sure that everybody is held whole and that nobody goes backwards. And I think all of the [INAUDIBLE] work and-- Lee Will could be able to address, address it more

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specifically. But I think with, with the work that every district and with the special education funding, every district, even the equalized school districts, will have, have more funding to help address the special education so nobody goes backwards.

ARMENDARIZ: OK.

WISHART: Any other questions? Senator Vargas.

VARGAS: Thank you very much, Vice Chair. Thank you very much for being here, Governor. I just wanted to give you-- and I'll probably ask the same question of Lee. One component of this is ongoing funding, \$250,000 each fiscal year beyond this biennium?

JIM PILLEN: Um-hum.

VARGAS: And I just wondered if you could speak to the long-term sustainability of, of the fund. We're also, which we don't typically do, binding the hands of future Legislatures to fund through the budget this \$250,000--

JIM PILLEN: Yes.

VARGAS: --each year, which is not-- it's not unusual, it's not unprecedented, but it is very difficult to do. And some of us won't be here, obviously, myself included, and Senator Wishart and Senator McDonnell, but I wondered if you could speak to that.

JIM PILLEN: Yeah. Yeah. That's a great question and really, really important. I think that the first step would be in conjunction partnering with this body. We certainly believe it's really important today that we're-- state government, we're very fiscally conservative. That's where-- we worked very hard to present a 1.3 percent budget increase. And we believe there's opportunities in terms of running government to do better than that, number one. But number two, we've done modeling for the last 45 years and took the three worst years and put those two back to back. And we still, under the worst set of circumstances, had, like, \$500 million left. And then that's not even speaking to the \$1.6 or \$1.7 billion that's in the cash reserve.

VARGAS: OK.

JIM PILLEN: Then I might add on top of that. Every agency, every department has their own cash fund. And when you add that up-- that's kind of one of my pet peeves, is finding those drawers, and that, that

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adds up to another 2.6 clicks. So there's a lot of money there. Our propo-- and then, and then on top of the modeling that Lee has done the last 45 years, we've grown at a, like, 4.5 percent. We modeled it at the 2.5 percent to have those numbers. So we've been very, very conservative all the way around.

VARGAS: Thank you. And I'll, I'll follow up with Lee on some of the modeling. Thank you.

JIM PILLEN: Thank you.

WISHART: Any additional questions? OK. Thank you, Governor.

JIM PILLEN: Thank you. Thanks for all you do. Appreciate it.

WISHART: Next testifier in support.

LEE WILL: Hi. My name is Lee Will. I'm the state budget administrator for Nebraska. L-e-e W-i-l-l. And I'm here to answer any questions that you may have.

WISHART: Senator Vargas.

VARGAS: Am I going to be the only one?

WISHART: And, Senator, I know it's unusual for Senator Clements to be introducing bills in the millions, but it's \$250 million.

VARGAS: Sorry.

LEE WILL: Yes.

VARGAS: Yes. \$250 million. What did I say?

WISHART: Thousand.

LEE WILL: That would be affordable. The \$250,000 would be affordable.

VARGAS: I got, I got startled. You know what? I'll tell you. I'll be honest. It was the, it was the billion joke that Governor put out there that, that threw me off.

LEE WILL: Sure.

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VARGAS: I think it threw us all off. So \$250 million. So if you could-- so is your modeling inclusive of-- there are a lot of asks in front of us.

LEE WILL: Sure.

VARGAS: And, and I know I mentioned this when we had our briefing. There are, you know, we have the canal project. We have prison-- you know, development of a new prison. You know, we have-- [INAUDIBLE] still standing out-- standing in there, this community college potentially being more obviously underneath state funding--

LEE WILL: Yeah.

VARGAS: --and you have this Future Fund, this Education Future Fund. And then you have these other tax initiatives, many of which I support. I wondered if, if this modeling is inclusive of all of those other things, not just typical years of growth and revenue and deficits.

LEE WILL: Yeah.

VARGAS: Is it inclusive of these other spending asks?

LEE WILL: Yeah. So it is inclusive of all the Governor's recommendations, which includes the, you know, transformative tax package, the income tax, business tax, Social Security tax, Education Future Fund. Now, there's going to have to be some assumptions that go into the model in the outyears. For instance, our outyear projections for expenditure growth is 2 percent. Now, for this biennium, we had 1.3 percent. In the outyear for revenue projections, they took the Legislative Fiscal Office's and Department of Revenue's estimates and put those together as their estimates for the outyears, and that's 2.5 percent. So I think that that's a conservative estimate for fiscal year '26-27. Now, we did take a look through FY2030 using the, you know, historical growth rates of 4.5 percent, and we had more than enough to cash flow all these aims. And that's not touching the \$1.6 billion unobligated Cash Reserve Fund balance. Now, if you look at the Education Future Fund, by 2030, we're estimating that funding to still have over \$500 million in it. And to your question on tying the hands of a, a future Legislature. If you add more money into special education needs, it increases the maintenance of effort. So it is, you know, almost a requirement after we do it this session that we continuously finance those, those special education needs for the

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schools. So I understand the, the, the, you know, topic of, of binding the hands of the Legislature, but this is a policy item that will have to be financed in the future, much like TEEOSA and other aid programs would.

VARGAS: Yes. Although we take up TEEOSA every year, it's-- we don't feel bound by it, but we are-- we, we're committed to it.

LEE WILL: Sure.

VARGAS: That's the-- that's, that's the best word I can think of. The 2 percent number that you just mentioned-- I know you said sort of-- assuming about 2 percent budget growth in the outyears, is that correct?

LEE WILL: Yes.

VARGAS: Maybe-- it gives me heartburn. I'm, I'm concerned. And, obviously, we're going to have to plan forward, and future Legislature are going to have to plan forward. Because in our years, even in really difficult times, on average, we were more than 2 percent these last six years. Now, again, that's on average, right? We've had some years that was less--

LEE WILL: Yeah.

VARGAS: --there was really hard years. We were really tightening our, tightening our budget. But I'm just thinking about these last couple years. We were even at-- I can't remember the right number.

LEE WILL: 2.6.

VARGAS: 2.6. Right. So, you know, when we are considering a lot of really important asks-- I think about the CTE hearing that we just had, which is a really valid, great use of funding, and, and many things, you know. The turnaround program that NDE just talked about. You know, water infrastructure development we're talking about not only for Lincoln but for the entire state. I just want to make sure that this modeling is also inclusive of additional funding asks that would-- both the Legislature and the public is also looking at solving problems that we haven't seen come up. And if we can get some modeling that shows if it's beyond 2 percent, if we were at 2.5 percent, which is more typical, what would that, what would that actually look like in the outyears? That would be really helpful for us.

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LEE WILL: Sure.

VARGAS: And you don't have to answer that question now, but.

LEE WILL: Well, the one, one thing I would say too is if we, if we look at the Medicaid bud-- budget, for instance-- right now-- I'll say it in this room just because we don't know what's going to happen with the unwind: we are over budget in that program. I think we're going to continuously lapse dollars back to the General Fund, and we'll see what happens with that unwind. So I don't see as much dollars having to go into that. Now, TEEOSA is somewhat being more stagnant than it has been in the past, mostly driven by property valuations. So I, I think the large, large aid budget-- large components that make up the budget are, you know, have been fairly flat and will continuously be for the next couple years. Now, after the unwind with Medicaid, we're going to have to see how that goes. But again, we have 30 percent of appropriations sitting in the Cash Reserve Fund, \$1.6 billion versus our \$5.5 billion of our overall appropriations. So I do think that there's enough money for worthy investments, if necessary.

VARGAS: Got a lot of cash reserve assets out there right now.

LEE WILL: Sure.

VARGAS: --including the Governor's, so be mindful of that. But thank you for answering those questions. And if you can get some modeling--

LEE WILL: Yep.

VARGAS: I don't know what, what you're using in terms of modeling, but any of that information you get on a higher-- more than 2 percent, I would appreciate that.

LEE WILL: Sure.

VARGAS: Thank you.

WISHART: Any additional questions? Senator Armendariz.

ARMENDARIZ: Thank you. Thank you. And I, I want to go back to the equalized schools. That was a specific ask of one of the superintendents in my area. Bennington, OPS are my areas. So his particular concern was there is a small school district, Westside, also in the metropolitan area, that is not equalized. And he worried that they would have a better opportunity to lower property taxes in

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District 66, yet his funding would stay flat. Or is that true with the special education funding? Would he have the opportunity to lower property taxes with this funding, or is he going to stay flat and District 66 could go down?

LEE WILL: So I will tell you that every school district will receive a sizable increase-- sizable increase in their state aid, and that will be continuous. So the, the Governor's initial plan was foundation aid inside the formula, which, agreed. It wouldn't help the equalized schools because it will get washed out through the equalization formula. So it's one-for-one proportionate, right? Special education inside the formula would also get washed out after a couple of years. So, you know, in that example, they would not-- the Governor's plan added the additional SPED reimbursement, the additional funding outside of the TEEOSA formula. So that would mean that it's not getting counted against their initial aid. So it would be what they get now plus the additional dollars in SPED reimbursement. So we really took a look at the equalized and nonequalized schools, because to the Governor's point, he wanted, you know, rise all boats. And that's not just holding them harmless, but that's providing substantial state aid that they weren't receiving before. Now, there's multiple ways to get there. Another is looking at the resource component, not counting certain amount of foundation aid and resources for equalized schools. So I think it's, it's a process going through with nonequalized and equalized schools, but we definitely want to make a sizable investment in both.

ARMENDARIZ: I, I appreciate that explanation.

LEE WILL: Sure. No problem.

ARMENDARIZ: I'm hoping that calms their nerves, and we have that on the record.

LEE WILL: Yep.

ARMENDARIZ: That helps.

LEE WILL: Definitely. Yep.

WISHART: Any other questions? Senator Dorn.

DORN: Thank you. Thank you for-- thank you, Senator Wishart. Thank you for being here. I'm, I'm going to piggyback on her, her-- Senator

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Armendariz's question. Part of what-- at least some of us have been having the discussion about is special ed outside the formula.

LEE WILL: Yep.

DORN: At times or-- there's a criteria whereby it will be almost double counted or part of it will be double counted. And I know one of the-- if that is true, one of the solutions we heard is to come up with a-- kind of a concept of where that maybe wouldn't be.

LEE WILL: Yep.

DORN: Can you comment on that?

LEE WILL: So we've been looking at a term-- you know, some would call it a hold harmless. Some would call it stabilization aid. And I'll try to make this as simple as possible with, with the formula. Sometimes it gets a little bit muddy. So for the first two years, the equalized schools will not have the negative impact of the SPED reimbursement. So I think the foundation aid and the SPED reimbursement can go through the model as-- inside the formula and equalized and nonequalized schools receive a significant benefit. Now, year three is where it starts to come through the formula. And what you can do as compared to a hold harmless or stabilization aid is it will only count a certain amount of those foundation aid dollars as resources for a school district. So let's say if you get \$1,500 and you're only counting \$1,250 per student for an equalized school. It will be \$250 times the amount of students that they would have that they would receive in additional aid. So we believe this plan is going to cost right around \$300 million a year. And that can be, you know, pretty flat each year. And that's going to hit equalized, nonequalized studen-- schools. I think, you know, off the top of my head, Lincoln would be looking anywhere-- I think it was, like, \$26 million to \$30 million each year. And then nonequalized would also receive a huge increase in state aid.

DORN: The, the, the ones that are nonequalized--

LEE WILL: Yep.

DORN: Basically, the foundation aid, just because of where they sit and how they're--

LEE WILL: Yes.

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DORN: --it won't have that effect on them. But I think you're correct in the fact that the criteria for how that's looked at or how that's counted as we go forward-- the equalized schools, to make-- I don't know whether to make sure or make that-- I, I guess, to me, it's one of the things that we need to make sure in this bill that we have that-- done properly. And I, I, I think your explanation explains it a little bit. But going forward, would there be-- will there be clarification on that? Or how will we know where that really sits when we have the discussion?

LEE WILL: Sure. So there's obviously going to have to be an amendment to the bill if that's the way that it goes forward. We've been talking with the school districts, the equalized ones, just to be honest with you, just to make sure that we're mitigating any impacts in year three. That's where you don't want it dropping off. So, like, the initial plan, if you just did the hold harmless, the Lincoln area would grow out of that hold harmless. So their aid would come down from \$27 million. To year three, it would be, like, \$14 million, right? But in this proposal, where you're looking at the resource allocation, it would go from \$30 million and pretty much stay \$30 million, \$30 million. So there's a way to do this so you provide a stable, steady, steady level of aid, you have stability from the state perspective and the school districts have certainty. And the other thing that we want is we want property tax reform. If you have up, down, up, down on the amount of aid, they're going to have to go to the property taxpayers in order to raise that additional dollar. So we want to keep it as, as a, you know, seismic investment, but we want to keep it as steady as possible.

DORN: Thank you for that clarification very much.

LEE WILL: Sure. Yep.

WISHART: Any additional questions? I have a few, Lee.

LEE WILL: Sure.

WISHART: So this is the first time or one of the first times that I've been involved in developing a fund of this nature. Can you walk me through the mechanics of how this would work. So we put \$1 billion into this fund? Can you walk me through how that works over a course of years and then what we anticipate the interest would be on this as well?

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LEE WILL: So I was doing an estimate of, like, 3, 3.5 percent interest. And it obviously-- I'll answer your, your interest question first. So it obviously depends on how much principal you have in the fund. But if you start out at \$1 billion, you're looking at about \$21 million investment accruals. And as you start bending-- spending that down, you know, it comes to anywhere to about \$17 million or so is on the investment side. How this would be done is-- so let's say foundation aid is around \$500 million inside the formula. Now, that's not the impact on state aid. You would say something like, the Education Future Fund is responsible for paying for 15 percent of the foundation aid inside the formula. So it would be 15 percent times your \$450 million. And then you'd also have to add in the additional SPED reimbursement. So it's making sure that you're financing the things that you want to finance out of the Education Future Fund and then financing things out of the TEEOSA fund and you're costing those appropriately. So it's just-- it's essentially finding the things that we're financing in the bill, scaling them to how much it costs and then putting that in-- in as an appropriation. So in this instance, the Appropriations Committee would actually appropriate two things. It would be the General Fund appropriation for TEEOSA and it would be the cash fund appropriation necessary to pay out the Education Future Fund.

WISHART: OK.

LEE WILL: Yep.

WISHART: And then you had mentioned, at some point in the future, the fund would be at \$500 million.

LEE WILL: A little over that, yeah.

WISHART: When is that?

LEE WILL: 2030 is when we were looking.

WISHART: OK. 2030.

LEE WILL: Yep.

WISHART: OK. And so do you anticipate the \$250 million that we're putting in is not going to be able to replenish it then in time?

LEE WILL: Eventually, we will have to look at other finding-- OK, so if we're spending around \$300 million flat, we put \$1 billion up on

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financing, \$250 million each year, there will come a time where we will have to replenish some of that fund.

WISHART: OK.

LEE WILL: But looking out, you know, eight, nine years in the future, still got over half a billion in the, in the funding source.

WISHART: OK. Great. Thank you.

LEE WILL: Yeah. Sure.

WISHART: Any final questions? OK. The, the one last thing I, I have-- a question I have is I've seen somewhere floating around a spreadsheet that shows school districts and an approximate-- approximation of what they would be receiving in this formula.

LEE WILL: Sure.

WISHART: Do you have that just to provide to the senators so we get a visual?

LEE WILL: Yeah. The only reason I'm kind of smirking is I'm on the, the fourth model of--

WISHART: I'd imagine, yeah.

LEE WILL: --the, the way that this thing runs. I can-- once-- if, if you would, Senator-- I think we have a really good plan and really good numbers. I want to get with the large school districts that make sure we're thinking about it the same way. I have that costing. I just want to make sure that we verify the assumptions, and I'll get it to you in the next day or two if that works.

WISHART: OK. Thank you.

LEE WILL: All right.

WISHART: OK. Thank you so much.

LEE WILL: Thank you.

WISHART: Next proponents for LB681. Good afternoon.

MARK MCHARGUE: Good afternoon, Chairman Wishart, members of the Appropriations Committee. My name is Mark McHargue, M-a-r-k

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M-c-H-a-r-g-u-e. I am the president of Nebraska Farm Bureau. And I'm here on Nebra-- on behalf of Nebraska Farm Bureau but also the Nebraska Corn Growers Association, Nebraska Soybean Association, Nebraska Pork Producers Association. I'm here today to testify in support of LB681. This bill creates a new Education Future Fund, as has been noted. It has additional funding source that the Governor's education package would need to fund foundation aid for each student in public schools and increasing funding for special education. We believe this is a bold move by Governor Pillen. One, it's very long overdue. For years, we have advocated that the state needs to take greater responsibility in funding our public schools in order to reduce Nebraska's overreliance on property tax. Any time there's a bill before the Legislature that proposes to allot, to allot a billion dollars, as has been mentioned, to ensure increased funding for schools, we need to make sure it's sustainable. It's a bold move. For that, we thank Governor Pillen, his team and the senators that are on board and the senators willing to consider this. LB681 transfers \$1 billion in new appropriations for public schools from the General Fund to the new Education Future Fund in 2023, and \$250 million in 2024, with the intent to continue annually supplementing this fund with \$250 million each year thereafter. You might say that LB681 checks the box or it completes the package. It ensures the new foundation aid and the increase in special education funding created in LB583 is sustainable. It ensures funding for programs to retain teachers, increase careers in technical education opportunities and mentoring. If we could ask for one thing to be added to this package, it would be that the Legislature finds a way to make sure as much property tax relief as possible comes from the state's increased investment into education. When Nebraska experienced the revenues well above its annual budget needs, now is the time for the state to make a strategic investment in our children's education. Set aside the money needed to ensure the investment is sustainable and reduce the state's overreliance on property taxes. That is prudent fiscal policy. The state taking greater responsibility of funding our public schools in order to reduce its overreliance on property taxes should be one of the state's highest priorities, if not the highest. The state has the money. It's the right thing to do. This is the right time to do it. For those reasons, we encourage your support of this measure. We appreciate your consideration of our perspective and offer assistance to help this become a reality. Would be happy to answer any questions.

WISHART: Thanks, Mark, for being here. Thanks for the promotion to Chairperson.

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MARK MCHARGUE: You're wel-- sorry. Well. There's always a chance, right? Sorry. Vice Chair.

WISHART: Any questions? OK. Seeing none. Thank you.

MARK MCHARGUE: Thank you.

WISHART: Additional proponents. Good afternoon.

JACK MOLES: Good afternoon. Good afternoon, Senator Wishart and Members of the Appropriations Committee. I'm Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association, also known as NRCSA. On behalf of NRCSA, I wish to speak on-- in support of LB680. NRCSA applauds both the Governor and Senator Clements for placing a proper emphasis on the importance of protecting state funding for our public schools. NRCSA was invited to be a part of the Governor's task force on school funding back in December, and he listened very well to us, to our concerns and ideas from the Education Committee. One of the issues that he heard was the concern that, in funding changes, education community desires to know that such changes are sustainable. You've heard that term, "sustainable." LB681 attempts to provide that sustainability. The Unicameral will be considering other parts of the Governor's plan that would provide expansion of state funding for our public schools: about two-thirds of those who do not currently get equalization aid. Protecting state funding for those schools is especially important to NRCSA. The other part of the bill that, that we really appreciate and that Senator Clements addresses, are three issues that are important to the Governor and to the education community both. That's teacher recruitment and retention, career and technical education opportunities for students and mentorship programs for students. We support those goals, and we also support using the Education Future Fund to support those three important issues. So, again, NRCSA appreciates the work of the Governor and Senator Clements, and we encourage you to move this bill forward.

WISHART: Thank you. Any questions? Seeing none. Thanks for being here.

JACK MOLES: Thank you.

WISHART: Additional proponents.

JOSH FIELDS: Good afternoon, Chair Clements and also Senator Wishart. Thank you for allowing us to speak today. My name is Josh Fields, J-o-s-h F-i-e-l-d-s. I'm the current superintendent of Seward Public

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Schools and current president of STANCE. STANCE stands for Schools Taking Action for Nebraska Children's Education. It's comprised of 18 mid-sized school districts free of lobbyists, representing nearly 25,000 students in Nebraska. STANCE is unique in the fact we have districts representing the entire state from Chadron to Plattsmouth, levies that range from a \$1.05 to \$0.60 and enrollments ranging from 900 to 4,000 students. We represent Nebraska education. We do not take lightly in our position with the Legislature. We submit this testimony as a proponent of LB681 proposed by Senator Clements on behalf of the Governor. As an organization, we appreciate Governor Pillen involving STANCE be part of the discussion. So we were able to have two representations with those meetings that were held in December and continue to have conversations-- we look forward to continued conversations in the future on important education topic such as school funding, teacher shortage, CTE. But I also appreciate just being allowed to provide feedback from our STANCE representation with new ideas and concerns and questions that has evolved to what you see today. Here are some of the biggest reasons-- we're not going to take a lot of time. If this bill passes, it will be the largest investment public education from our state with provisions to continue to provide support through the initial \$1 billion in '23-24 and then \$250 million every year after-- thereafter. Opportunity for all school districts receive some sort of foundation even if a district is currently nonequalized. The Education Trust Fund will be a dedicated source of revenue to help pay for the foundation aid along with allowing for districts to apply for certain educational grants. The details of those grants are still not specified at this time. These dollars will also fund special education versus the, the 80 percent [INAUDIBLE] currently is about 45 to 49 percent, depending upon the district. STANCE continues to be dedicated in helping in any way possible to have sustainable property tax relief that still ensures that we're able to continue to provide excellent education to our students. We believe that LB681 does this, and we appreciate all the work of Senator Clements and the Governor's Office for bringing this bill forward.

WISHART: Thank you. Thank you for being here. Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. So I'm looking here at Seward, Seward Public Schools. You get zero equalization aid, is that correct?

JOSH FIELDS: We get about 200 and-- very little, but, like, \$220,000 total.

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ERDMAN: OK. You have-- it says here you have 1,540 students.

JOSH FIELDS: Correct.

ERDMAN: So \$1,500 times that's about \$2.5 million, right?

JOSH FIELDS: Yep.

ERDMAN: So will you lower your property tax by \$2.5 million, the same number?

JOSH FIELDS: Very close. So we, we would-- right now, where I projected, we'd be able to lower our property tax probably around \$0.11 to \$0.12 of our levy.

ERDMAN: OK. Thank you.

JOSH FIELDS: Um-hum.

WISHART: Additional questions? Seeing none. Thank you. Can I get raised hands for who is planning on testifying on this legislation? OK. If you are planning on testifying, please come to the, to the front. Thank you. Additional proponents.

KYLE FAIRBAIRN: Vice Chair Wishart. My name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n. I represent the Greater Nebraska Schools Association, GNSA. The organization represents 25 of the largest school districts in the state of Nebraska. These 25 districts represent over 70 percent of all the students in the state of Nebraska attending public schools. And we educate 88 percent of all the minority children that go to schools and public schools in the state of Nebraska. Coming to you today in support of LB681 and AM193. I would like to thank the Governor and Senate-- Senator Clements for bringing the bill forward and all the work that has been put into the bill. This bill would start an Education Future Fund that would set aside the amount of \$1 billion. This amount would make sure that TEEOSA fund-- the TEEOSA funding formula and the rest of the state's commitments to fund public schools' ability to be funded without being cut. It gives in the near future that TEEOSA funding will not be cut in order to balance the state budget. The schools that I represent would not be able to survive without the support of state funding that they receive. In the past, there have been a number of reductions in state aid that greatly affect-- that greatly affect the ability of the schools I represent to support the students that they serve. We need to continue to fund the TEEOSA formula in whole so that all the kids

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in the state can receive the education they deserve. Again, I would like to thank the Senator and the Governor for putting the-- put-- putting education in a stronger position than it has been in the past. I want you to know that not all GNSA schools-- we have a standing deal within GNSA, schools can oppose what the GNSA stance is. And there are schools that do oppose the stance that I'm taking today, but I want to make sure that a majority of GNSA schools are involved in this stance. I'd be happy to answer any questions if you have any.

WISHART: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. So are you a lobbyist then?

KYLE FAIRBAIRN: I'm the executive director of GNSA. I am a registered lobbyist.

ERDMAN: OK. So then your salary is paid by tax dollars?

KYLE FAIRBAIRN: My salary is paid by GNSA.

ERDMAN: And GNSA uses tax dollars to pay you?

KYLE FAIRBAIRN: Yes. In a, in a sense, yes.

ERDMAN: OK. That's kind of peculiar, that we have people who get tax dollars come here to lobby us for more tax dollars. That's not a question. That's a statement. Thank you.

KYLE FAIRBAIRN: OK.

WISHART: Additional questions? Senator Dorn.

DORN: Thank you, Senator Wishart. Thank you for being here. I think you made the comment that not all of your schools were supportive of this. About what percent or what-- any idea, or--

KYLE FAIRBAIRN: It's a small percentage.

DORN: A small percentage are not supportive of it?

KYLE FAIRBAIRN: Right.

DORN: The majority--

KYLE FAIRBAIRN: The-- vast majority. Yes, sir. Yes, Senator.

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WISHART: Additional questions? Senator Armendariz.

ARMENDARIZ: Thank you. Follow-up question.

KYLE FAIRBAIRN: Certainly, Senator.

ARMENDARIZ: Would it happen to be the largest?

KYLE FAIRBAIRN: It could be, yes. It could be--

ARMENDARIZ: So the most number of students possibly--

KYLE FAIRBAIRN: I think they'll testify behind me. Yeah. So.

ARMENDARIZ: OK. But that's probably the ones I want to, want to hear.

KYLE FAIRBAIRN: OK. Thank you, Senator.

ARMENDARIZ: Thank you.

WISHART: Additional questions? Seeing none. Thank you.

KYLE FAIRBAIRN: Thank you, Senator.

WISHART: Because of the hour that we're at today and we have two more pieces of legislation and a number of more testifiers, we're going to move to three-minute testimony. So please adjust your testimony for that. And we have OK'd this with the introducer of the bill. Additional proponents.

BRAD WILKINS: Members of the Appropriations Committee, thank you for the opportunity to address you today. My name is Brad Wilkins. That's B-r-a-d W-i-l-k-i-n-s. And I'm a school board member from Ainsworth Community Schools. I also serve as a pa-- past president of the Nebraska Association of School Boards. Last December, Governor Pillen formed an educational task force to look at educational issues in the state of Nebraska. I was fortunate to have been a part of the group that represented large schools, small schools, industry and other stakeholders from across the state. Although the stakeholders had varied individual interests, I believe that common ground was found. Not one person believed that our state could afford to ignore the education and future success of our kids, an education that stretches from early childhood development to career readiness. A vibrant and growing state requires a vibrant and growing workforce. Every good farmer knows that a bountiful crop requires an investment in good

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seed, adequate nutrients, abundant moisture and diligent labor. As we sow, so shall we reap. Although everyone wants a state that attracts talent, there is no substitute for growing our own too. Nebraska has a rich history of citizens with grit and determination to overcome the challenges that we face. This means that we don't quit on any student. This means that we provide facilities that are equipped with resources and teachers to help every student achieve their greatest potential. Whether it is advanced classes for gifted students or special education classes, we have a responsibility to the students of Nebraska. Today, I have my friend Ty Boley [PHONETIC] here. And it's a long drive from Ainsworth, and I appreciated the, the windshield time that we shared together. Plus, I'm excited to see where Ty [PHONETIC] is going to take me for dinner tonight. Ty [PHONETIC] is an eighth grader at Ainsworth Community Schools and a proud member of the class of 2027. Ty [PHONETIC] participates in cross-country, basketball and track and is involved in middle school student council. Ty's [PHONETIC] favorite subjects are math, science and shop. His favorite teachers are Mrs. Allen, Mr. Nelson, Mr. Pollock and Mr. Clapper [PHONETIC]. It probably isn't coincidental that they teach math, science and industrial tech and PE. When I asked Ty-- Ty [PHONETIC] why they were his favorites, I heard phrases like, they listen. They're understanding. They help with problems. They make sure that students and athletes are taken care of. Ty [PHONETIC] is interested in graphic design, blacksmithing and broadcast media and is considering a future in one of those areas. One of the great things about being an eighth grader is great imagination. There's-- there are so many possibilities for the future. Sometimes it helps me to look at the world through the lens of an eighth grader. It is so easy for us adults to see the barriers and obstacles and lose the wonder and excitement of possibilities. LB681 is filled with possibilities for Nebraska's kids. Ty [PHONETIC] is just one of those students who look at-- look to us to provide the clear pathway to realizing those possibilities. LB681 is a historic plan to invest \$1 billion in the future of our students and our state. It recognizes the state's obligation to each student--

WISHART: And as you see, your red light is on. If you want to just finish up your sentence there.

BRAD WILKINS: I, I-- one more paragraph. It recognizes the state obligation to help provide for those students who have special needs. It recognizes the need for great teachers, mentors and career and technical education opportunities. It is an investment so that our students can realize their dreams. I encourage you to make the legacy

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of this Legislature the historic investment in our students and our state.

WISHART: Thank you for being here and thanks for driving all the, all the way, both of you. Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. Thank you for coming. How far did you drive?

BRAD WILKINS: It's about 280 miles.

ERDMAN: That's a good start. Thank you for coming. So you have 415 students, according to this. 415 students at \$1,500 is \$625,000. Your current mill levy is 82-- 82 mills.

BRAD WILKINS: Um-hum.

ERDMAN: Very low compared to some. So do you know what the reduction in your mill levy will be if we add \$625,000 to your budget?

BRAD WILKINS: I haven't done that math, so I'm not, I'm not exactly sure. But I would say that we're pretty proud as a school board that we have not changed our tax asking for the last four years.

ERDMAN: Yeah. That, that's good. I appreciate that. But the point, the point is this: there are some of these school districts that are \$1.05 or more.

BRAD WILKINS: That's correct.

ERDMAN: And we're going to reduce those. But districts like yourself, who have held the mill levy at \$0.82, you're going to get a reduction, a significant reduction percentagewise compared to those people who are \$1.05.

BRAD WILKINS: And we've reduced our mill levy every year because our property values have gone up and our tax ask has remained the same. So with an influx of state funding, I would anticipate that we would have a fairly substantial decrease in the levy.

ERDMAN: You, you get zero state aid.

BRAD WILKINS: Yes, zero equalization aid.

ERDMAN: Yep. You get \$49,000--- \$47,000 from income tax rebate.

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BRAD WILKINS: That's correct. Um-hum.

ERDMAN: Thank you.

WISHART: Additional questions? Seeing none.

BRAD WILKINS: Thank you, ma'am.

WISHART: Thank you. Additional proponents.

JOHN SCHWARTZ: Good afternoon, Senator Wishart, members of the Appropriations Committee. My name is John Schwartz. That's J-o-h-n S-c-h-w-a-r-t-z, and I'm the superintendent for Millard Public Schools. I am here as a proponent for LB681 as amended with AM193. Equalized school districts like Millard tend to be among the lowest cost per pupil spending districts in Nebraska. They also tend to be at or near their general fund levy maximum of \$1.05 because they have low assessed values per pupil. Consequently, when the state aid formula is not fully funded, there is often no way for equalized districts to make up the lost revenue, typically requiring spending out of limited cash reserves or making cuts to staff or programs. Through a business lens, this is-- this makes it difficult to budget and plan long term. The state aid formula has been changed frequently in ways that have reduced the funding schools receive. This is especially true during times when state receipts are down or are projected to be down. Levers within the formula, such as the local effort rate and the cost growth factor, are subject to change on an annual basis. By raising the local effort rate, it increases formula needs and reduces the aid a district receives. In reviewing 10 years of state aid prepandemic before the influx of federal monies, the local effort rate was raised 5 out of 10 years. The other lever, cost growth factor, was, was reduced 7 out of these same 10 years. The cost growth factor adjusts financial information used to determine basic needs and is intended to account for the fact that there is a cost growth that takes place between the year the data is collected and the year it is used to calculate needs within the formula. When you lower the cost growth factor, it has the effect of reducing a district's needs calculation, causing a reduction in state aid. There have also been structural changes to the formula over time, which have reduced funding. For example, factors for instructional time, teacher education and kindergarten class size all are no longer part of the formula, thereby reducing obligations to school districts. The addition of foundation aid is a concern for equalized school districts because it creates a new funding obligation which could impede the ability of the state to fully fund equalization

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aid during lean revenue bienniums. Since most equalized districts do not have levy authority to offset these losses, this is a change which carries a disproportionate risk for equalized districts. We support LB681 as amended with AM193 because it prioritizes fully funding equalization aid and increases the probability that new funding in the plan will be sustainable. While state revenues are strong now, there's no guarantee this will be the case forevermore. We also believe AM193 reflects the commitment of the Governor to fully fund equalization and creates a viable backstop to do so in the future when state obligations are greater than revenue. I'd like to conclude by thanking Senator Clements, Governor Pillen and his team for the amendment to LB681, for the investment in education and for the ongoing collaboration. Gladly answer any questions you have.

WISHART: Thank you. Any questions? Senator Armendariz.

ARMENDARIZ: Thank you. Thanks for testifying. Something that caught my ear was the low value-- valuations. Is that--

JOHN SCHWARTZ: Low value per pupil. So the amount of valuation that exists-- the adjusted valuation for the school district relative to the number of kids that are educated. Equalized school districts tend to be more densely populated, so the amount of overall property value that exists per pupil is of lesser proportion than more sparsely populated school districts.

ARMENDARIZ: OK. Since you have more students in your school district, you're saying it goes-- you spread it thinner.

JOHN SCHWARTZ: Correct.

ARMENDARIZ: And that's why you have it at \$1.05?

JOHN SCHWARTZ: Correct. Yes. So we, we, we generate-- in fact, I have it right here. I'll share it with you.

ARMENDARIZ: I want to have a follow-up question there. The, the valuations have gone way through the roof, especially in the metropolitan area. What has that done for your, your budget? It stayed at \$1.05--

JOHN SCHWARTZ: Yep. So--

ARMENDARIZ: --so you, you must be flush with a lot more money than you expected.

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JOHN SCHWARTZ: So, unfortunately, the way the state aid formula works is it's needs minus resources equals our aid. So one of the phenomenons that we see in equalized districts is that our-- as our property valuations go up, we tend to see a nearly proportional decline in the aid that we receive. So it becomes very difficult to, to get ahead. Obviously, that trails by about, trails by about a year because of the way the formula is structured. So there may be an influx of revenue one year, but we typically have to think about the subsequent consequence the year after. The, the-- and I think that is illustrated in the way the, the state aid formula works. So state aid goes up one year-- or, your valuations go up one year, you tend to see a nearly proportional decline the year after.

ARMENDARIZ: OK. So the, the gentleman that testified for Ainsworth has kept the mill levy at \$0.82. Are you saying that the metropolitan area has more kids per classroom so they need it to be \$1.05, or--

JOHN SCHWARTZ: So-- what I'm saying is that, in the illustration that I passed out, is there is more value that exists per pupil in nonequalized districts. So every penny levied is going to generate more dollars to educate per each kid than an equalized district like Millard, for example. And so they're just different dynamics. So the, the valuation and the value that exists per pupil are not necessarily related to each other in the way that you're framing the question.

ARMENDARIZ: Would you expect to be able to lower the mill levy with this?

JOHN SCHWARTZ: Yeah. And I think our district-- I'll speak for our district. And I think it's probably true of many others. We have lowered our levy. Even though we anticipate that we're going to lose state aid as a result of the increasing resource on that side of the formula, our board has lowered its levy four years in a row. So we've gone from \$1.25 to, to \$1.21. And specific to this, our board has been committed to trying to lower its levy to the extent it can. One of the pieces that we don't know yet necessarily is how much additional revenue will the final plan deliver. We anticipate it will deliver some. I think we all heard Lee and the Governor speak to their intent to do so. And our, our desire would be to try and provide property tax relief to our constituents in Millard Public Schools if the plan delivers additional funding.

ARMENDARIZ: OK. I appreciate that.

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JOHN SCHWARTZ: Yeah.

WISHART: Additional questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. Thank you for being here. So I'm looking at your school. You have 23,633 students. At \$1,500, that's \$40 million. You currently receive equalization aid of \$50 million. You get another \$4 million from the tax rebate. So you get about \$54 million. Your mill levy is \$1.21, as you said. So if you get \$40 million from the foundation aid, are you going to lower your property tax by \$40 million?

JOHN SCHWARTZ: So as it stands right now, those dollars, that \$1,500 per pupil, will be inside the formula. And since our needs exceed our resources, we're still an equalized district. So we don't get that \$1,500 per pupil as a net, which I think is the piece that Lee was talking about when he was up here testifying, is that for equalized districts, in the original plan, it was that additional special education reimbursement that would generate the new revenue for us. It sounds like there may be some changes to that that are potentially coming. So whatever that dollar amount is would impact our ability to provide the property tax relief. And, and Senator Erdman, as you know-- and the state budget functions very similar-- you, you plan a budget over more than one year. So you would really need to look at what's the property tax relief that could be provided over a band of years because there could be an aberration in any one year in isolation. But the intent from a Millard Public Schools standpoint, I believe, would be to deliver the property tax relief to the extent we're able with new revenue.

ERDMAN: So let me ask it in a different way. If you get-- your need is \$49-- \$40-- \$50 million in equalization aid, and we replace \$50 million of that with the foundation aid, will you still get \$10 million in equalization aid?

JOHN SCHWARTZ: So our-- we would get it in a different bucket, but the, the dollars we would receive would be about the same. So, for example, if you're looking at what I think you're looking at, we actually receive about \$76 million in equalization aid because we're-- our option students are counting on the resources side of the formula and then it's getting baked back in in our final allocation. So we're, we're getting that basic funding for those kids through that, through that allocation. So our needs would still continue to exceed our resources. So, again, for us as equalized school districts, really,

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the question-- to answer your question that I would need is kind of what that final dollar amount is that we're working with in new revenue to determine specifically what the property tax relief would be that we're able to provide. From that point forward, it's really just a math problem. And then thinking about a budget over, you know, a, a, a biennium or a three-year band of time and, and the fluctuations in the way that the state aid formula counterbalances property valuation changes as well.

ERDMAN: So let me ask you this then. So until we replace-- because you get, you get about \$23 million from, from option students. You have about 20 students-- 220 students, I would guess, somewhere in that range, option students--

JOHN SCHWARTZ: Can you say that again? Option students? Our net options are around \$2,500.

ERDMAN: OK. All right. So if you, if you did that, you'd have to get more funding from the state to be greater than those through property tax relief. Wouldn't that be true?

JOHN SCHWARTZ: We would have to receive additional money outside the formula in order to provide property tax relief, correct.

ERDMAN: So, so there's a very good chance that we do this and we give you this foundation and it may not lower your property taxes.

JOHN SCHWARTZ: Well, I-- I think that's where the devil's in the details. So in the original iteration of the plan, as it was outlined in LB583-- which is a bill that Revenue heard, not this committee-- there was additional special education funding to get up to that 80 percent that each district received, and that varied by district based upon their special education population and what those reimbursable expenses were. If you go back to what Lee was sharing that-- he and the Governor's Office are looking at different strategies other than that for equalized districts to generate new revenue. Once we have that dollar amount, we would be able to determine to what degree of property tax relief we would be able to provide. But going back to what I believe is the spirit of your question, Senator Erdman: I believe that the objective of our board would be to use additional revenue in part to help deliver property tax relief for our, our constituents.

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ERDMAN: So then you're making an assumption you're going to continue to get the equalization aid and the, and the \$1,500 foundation aid on top of that?

JOHN SCHWARTZ: It'll look a little bit different because that \$1,500 is going to count as a, a resource within the formula. So it's going to come in different buckets. The dollar amount will be roughly the same in, in the end because we will remain an equalized district. So it functions differently for nonequalized districts, where their resources exceed their needs, which gets at Senator Armendariz's question. And those, those more sparsely populated districts that have more valuation per pupil, their, their resources do exceed their needs. That's different in districts like Millard, where the amount of valuation we have per pupil is significantly less and, therefore, each penny we levy doesn't generate the same proportional amount of money for each child, which is why we need to levy more to generate a similar amount of, of funding.

ERDMAN: Thank you.

WISHART: Any other questions? Seeing none. Thank you. Additional proponents.

LIZ STANDISH: Good afternoon, Senator Wishart, members of the Appropriations Committee. My name is Liz Standish, spelled S-t-a-n-d-i-s-h. I serve as the associate superintendent for business affairs for Lincoln Public Schools. I'm here to testify in support of LB681 as amended by AM193. The Lincoln Public School District appreciates the opportunity to participate in discussions with Governor Pillen and his staff and the opportunity to be at the table to exchange ideas in a consensus-seeking manner. The Education Future Fund established in LB681 provides stability to school districts that rely on state funding. The prioritization of equalization proposed in AM193 is essential. School districts with lower property valuations per student are often at the maximum levy with nowhere to go when state funding falls short. Sustainability of state funding is critical to maintain quality schools in the state of Nebraska, and LB681 as amended would do that. School districts' access to property tax funding across the state ranges. To get to your question, Senator: when you, for comparison's sake, only look at school districts that are on, not on a substantial amount of federal land-- so I did take those out of the analysis-- at \$1.05 max levy, we have school districts that can raise \$3,000 per student. And at \$1.05 max levy can raise \$67,000 per student. So that's why you see levies that are \$0.40

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all the way up to \$1.40, is because that access to property value per student is so widely spread across the state. And that is what makes our school finance challenges so great, because we're traveling that main spread. Equalization has to maintain-- be maintained as the top priority of the state. I cannot emphasize enough how critical the amendment is to the bill. That is something that, as a committee, I hope that you consider strongly in including with the bill. I'd be happy to answer-- answer any questions you may have.

WISHART: Thanks, Liz, for being here. Senator Erdman.

ERDMAN: Thank you, Senator, Senator Wishart. Let me get back to my [INAUDIBLE] here. OK. You have 40-- you have 43-- 41,674 students. At \$1,500, that's \$62 million. You currently get \$109-- \$108 million in equalization aid and \$7.5 million from tax rebate. So you get no option students. You have zero. Your mill levy is \$1.22--

LIZ STANDISH: Um-hum.

ERDMAN: --right? So the same question I asked to the previous testifier. So if you get \$62 million, will you still get some kind of formula funding to make up the \$108-- that you're going to get another \$50 million? Then you'd have \$56 million to make up that. So that will-- is that how much you'll have to get before you get property tax relief?

LIZ STANDISH: Yeah. I think the most critical thing to know is that foundation aid, when it runs through the formula, is not new money for equalized school districts. So that does not give equalized school districts an opportunity to bring property tax relief to their communities. So I know that Mr. Will, when he came up, talked about a strategy where the foundation aid could then yield new money, which could yield property tax relief. And I think that's definitely worth talking about and considering. But to your point, Senator Erdman, foundation aid alone would not bring property tax relief. In the Governor's original bill that was proposed and considered by the Education Committee, he included-- based on input from superintendents about special education funding and the various needs that school districts face, he did include special education funding outside the formula. So the special education reimbursement outside the formula would be the tool in the original legislation to get new funding to equalized districts. That is what's in flux right now and being talked about. So we need to see how the final package comes together and how the numbers look.

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ERDMAN: Would that not have to exceed the current equalization aid you get to lower property tax?

LIZ STANDISH: It depends--

ERDMAN: You'd have to get \$50 million from that fund.

LIZ STANDISH: It depends on how it's treated in the formula. So the-- so at one point, there was conversation-- in the original bill as proposed, it was actually not ran through the formula. So it did not count against your equalization aid. So it did yield additional revenue. I think that was the original vision from the Governor, was to provide property tax relief in every community. I understand there's a lot of questions about that and that special education funding should stay in the formula. And I understand that now Mr. Will and his staff are looking at analysis of another method through foundation aid.

ERDMAN: But I guess to simplify it: unless you get excess money over 108-- \$115 million, more than that--

LIZ STANDISH: Yeah, our--

ERDMAN: --[INAUDIBLE] going to lower property taxes.

LIZ STANDISH: Our current state funding is right at about \$115 million-- \$114 million and, and a little bit more. So in order to have a conversation with my Board of Education through the budget process of the state is coming in and shifting responsibility from the property taxpayer to the state, I would actually need that shift to happen, and I would need additional state funding in order to make that work.

ERDMAN: And it has to be greater \$115 million or you don't get any property tax relief?

LIZ STANDISH: It depends on how it's-- how it runs through the formula. I think that's, that's what's important to look at, is there are ways to get new state funding to equalized school districts. We just have to keep working and talking through it to figure it out.

ERDMAN: Peculiar.

LIZ STANDISH: OK. I would say that Mr. Will's philosophy is very sound, that he spoke to you about this afternoon, that the foundation

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aid, if you don't count it fully as a resource in the formula, it does yield new money. And so that would put property tax relief conversations on the table in equalized districts.

ERDMAN: No. The point is you still need a certain amount of dollars to do what you do.

LIZ STANDISH: Uh-huh.

ERDMAN: And unless you get that from somewhere, you're not going to lower property tax.

LIZ STANDISH: Right.

ERDMAN: I don't care inside the formula, outside the formula. Whatever you do, you have to get more money than you're currently getting now to lower property tax. That's the only way you can do it.

LIZ STANDISH: And what I'm hearing you say that you would need from the analysis as it moves forward is here's what the district would have received. And then based on the new strategies that are used, here's the additional money they would receive so that you could see--

ERDMAN: [INAUDIBLE] greater than what you're currently getting.

LIZ STANDISH: Yeah. Yeah.

ERDMAN: It's hard for me to understand that.

LIZ STANDISH: Yeah. It's-- trust me, as we've been walking through all this, you can get turned around in the state aid formula with the ins and the outs based on what goes in needs and what comes out of resources. But I, I do believe the concept of foundation aid and not counting it as a resource is a sound concept that Mr. Will is pursuing.

WISHART: Additional questions? Just to, just to add on to this conversation and, and to get your confirmation on this. What Lee suggested is, is some of the discussion that's going on, is that if we were to do an additional \$300 million per year-- and still figuring out the mechanism for this-- but that Lincoln Public Schools would be able to get \$26 million to \$30 million additional state dollars annually. Is that accurate? Am I reading that accurately?

LIZ STANDISH: I have not had a chance to review those numbers.

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WISHART: OK.

LIZ STANDISH: I will say the Governor's very original modeling, when we were looking at state aid distribution-- so the money was going out through state aid distribution-- was in the \$20 million plus range. And as I understand, the intent is that they're trying to reach that same bar, if not exceed it, with the new modeling. But we haven't had a chance to even review the new modeling yet. But I, I do think the goal is a \$20 million plus number for Lincoln Public Schools in new state funding, which would then absolutely be talked about by our Board of Education through the budget process of-- we would have to look at our total state funding. What does that look like first? And then we could have a conversation about changes to the levy and property tax relief for taxpayers in Lincoln.

WISHART: Thank you.

LIZ STANDISH: And that would follow our standard budget process with multiple hearings and forums and public input and lots of opportunity for community conversation. I know you're very familiar with that, Senator.

WISHART: I am. Thank you. Thank you so much, Liz, for being here. OK. Seeing no additional questions. Next proponent.

BEN WELSCH: Thank you, Vice Chair Wishart, members of the Appropriations Committee. My name is Ben Welsch, B-e-n W-e-l-s-c-h. As an educator and currently as a teaching and learning fellow, I'm here today to speak in support of LB681 on behalf of the Nebraska State Education Association. As written, the NSEA supports LB681 in transferring \$1 billion from the General Fund to the Education Future Fund. Currently, we're in a teacher shortage in Nebraska. We also have a worker shortage in Nebraska. Investing in teachers and students with LB681 couldn't arrive at a better time. The commitment to invest in students now is imperative to create a sustainable future economic environment for all Nebraskans. Also, continuing to invest in our schools with 250 million year after year solidifies, solidifies the narrative that we won't give up on our kids. Our schools are the engine that maintains our robust Nebraska economy with future entrepreneurs and innovators, small business owners, healthcare workers and teachers. It takes a strong commitment to schools to help create and maintain the quality of life that Nebraskans come to expect. Investing in our kids with LB681 would help ensure the good life continues for our Nebraska families. In addressing the teacher

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shortage, LB681 would provide additional resources to help recruit and retain teachers in all needed fields, whether that is helping future educators in their college experience or helping districts maintain budgets to retain and expand the work of educators all across the state. Being able to provide teachers and support staff with competitive compensation to work with all of our students helps keep our local economies strong. It takes high-quality educators to create high-quality kids. To address the worker shortage, LB681 provide students the resources they need to be successful. Additional special education funding would help schools provide the personnel and resources for the Nebraska students who need it the most, adding career and technical programs for students to not only get the academic and technical skills that they need but the hands-on knowledge and training it takes to enter the workforce. And lastly, providing students an opportunity to have a mentor. A caring and trusted adult can help guide the student during their school years to provide support and encouragement to help them be successful in their current and future goals. We ask the Appropriations Committee to advance LB681 and creating the Education Future Fund and to invest in our kids. Thank you. And I'm happy to answer any questions that you have.

WISHART: Thank you for being here today. Any questions?

BEN WELSCH: Thank you.

WISHART: Seeing none. Thanks. Additional proponents. And if you're planning on testifying on this legislation, please move to the front.

DAVE WELSCH: I thought there might have been another proponent so we could have a gap between one Welsch to the next. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I am Ben's dad, but we do have different opinions at times, so. But I am here in support of LB681. I am a farmer and currently serve as board president of Milford Public Schools. I have served as school board member for over 31 years. I am here to testify in support of LB681. Thank you to Governor Pillen and Senator Clements for introducing this bill to provide increased funding to public schools. I also speak in support of AM193, which prioritizes how funds in the Education Future Fund will be spent. Fully funding equalization aid under TEEOSA is the top priority, and I strongly agree with this, but equalization aid only goes to 86 out of 244 schools today. As recently as 2009, we had 206 equalized schools. One of the original intents of TEEOSA, which is still in statute today, is to assure a greater level of equity and property tax rates

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for the support of public schools. This simply means that property tax levies should be closer together. LB583 is the Governor's complimentary bill to LB681 on how to distribute state aid. It provides \$1,500 per student and an increase in SPED reimbursement. The end result is that there will be 22 fewer equalized schools under this plan. And there are many instances within each legislative district across the state where levies are pushed further apart. LB320, The Nebraska Plan introduced by Senator Brandt, lowers valuations within the TEEOSA formula, and this results in the doubling of the number of equalized schools, from 86 to 177. It brings the highest levies down and closer together. The combining of LB583 and LB320 is the best solution to school funding. This is outlined in the handout which you just got. Also included is a chart and graph which shows the impact of levies in LB-- excuse me-- in LB58 compared to combining both of these bills together. As you can see by the black bars in the graph, the combining of these bills brings levies down and closer together across the state. If we change TEEOSA to create more equalized schools, the cost of increasing SPED reimbursement to 80 percent drops to \$20 million. Minimum 10 percent basic funding, only \$10 million. And a minimum of \$1,500 per student is only \$5 million. Increasing the number of equalized schools is the key to providing funding and tax equity across the state. So if the priority LB681 is to fund equal-- equalization aid, then the Legislature needs to make sure that we fund schools in a way so that we increase the number of equalized schools.

WISHART: Thank you for being here today. Any questions? Seeing none. Thank you.

DAVE WELSCH: Thank you.

WISHART: Additional proponents. Going once. OK. Opponents now. We'll move to opponent.

BRI FULL: Vice Chairwoman Wishart and members of the Appropriations Committee. My name is Bri Full, B-r-i F-u-l-l, and I am a member of the Omaha Public Schools Board of Education. I am here today in opposition to LB681. We sincerely appreciate the intent of this legislation and Governor Pillen's efforts to fund public schools and reduce property taxes while providing continued financial support for public schools in Nebraska. We also very much appreciate the fact that Governor Pillen was willing to include the Omaha Public Schools in discussions regarding the school funding legislative package that LB681 is a part of. Our opposition to LB681 stems from two key issues. First, the Education Future Fund could only be used to provide

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foundation aid and increase special education funding in LB583 as well as increase funding to school districts that provide dollar-for-dollar property tax relief and grant programs for teacher retention, career and technical education classroom opportunities and student mentoring. Our district has a long history of opposing foundation aid because the entire premise of TEEOSA is needs minus resources equals state aid. The funding of foundation aid, or more appropriately, the prioritization of foundation aid over equalization aid in LB681 will ensure that school districts that have more resources than needs will receive funding that should be going to districts with higher needs than resources. We believe that a potential scenario where foundation aid is protected and equalization aid is reduced to balance the state budget, disproportionately impacting equalized school districts that may not be able to offset equalization aid reductions with property tax revenues, is antiethical to the very core of school funding. We are aware of and appreciate the reprioritization of equalization aid over foundation aid contained in AM193. However, AM193 does not resolve our overall objection to foundation aid. Second, we recognize that the investments proposed in LB681 are historic. However, they do raise concerns about sustainability in the future. Planned expenditures from the fund average \$300 million annually over the next seven years. With planned expenditures 20 percent higher than revenues, the fund will eventually run out of money or require an additional significant investment. The intent language included in the bill for annual transfers to fund, to fund the \$250 million also does not guarantee that future Legislatures would make corresponding appropriations in time of economic downturn. Our skepticism about the actions of future Legislatures is based on Legislature's historical behavior. The Legislature has a long history of manipulating the TEEOSA formula whenever it faces budget shortfalls. TEEOSA has been amended 10 times over the last 20 years to reduce the amount of appropriations needed to fund the formula per statute. That is basically once every other year. We are concerned that a future economic downturn or recession would once again result in the undoing of this Legislature's good intentions. For these reasons, we oppose LB681 and the package of bills relating to school funding. We appreciate the Legislature's attention to these concerns. And I am happy to answer any questions. And we also have our fiscal specialist here, Mr. Rhian, here to answer any specific fiscal questions that you may have. Thank you.

WISHART: Thank you for being here today. Any questions from the committee? Senator Armendariz.

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ARMENDARIZ: Thank you, Senator. Is the entire OPS school board against this bill?

BRI FULL: Yes, we are.

ARMENDARIZ: Is it the hesitation of what might happen in the future?

BRI FULL: Right.

ARMENDARIZ: Do you agree that it would help you immediately if it was to pass?

BRI FULL: I think these specific package of bills would increase the amount of state aid that we get for the short term. But when you look at all of the tax bills that are currently being heard in the Legislature, that are being seriously considered, all of those tax bills as well, if you take those into consideration, would ultimately lead to a decrease in aid to OPS.

ARMENDARIZ: Do you think that it would be beneficial to oppose what might be in another bill later or if a bill would come up in years to come that would basically threaten the TEEOSA formula like you mentioned? Would that be more appropriate to address it if that should happen and let the legislation pass since it-- you would actually-- OPS would actually benefit from this legislation?

BRI FULL: I think there are concerns about sustainability. That's really what we are the most worried about. Because if we just kind of sit on our heels and say, yes, this will benefit us now, but knowing full well that this isn't going to benefit us in the future, I think that's a little bit of an oxymoron. So we have taken the initiative to voice our opinions.

ARMENDARIZ: So you know it will not benefit you or you're worried it won't?

BRI FULL: We are worried that it won't, yes.

ARMENDARIZ: OK. All right. That's what I wanted to address then, that's what your intention was.

WISHART: Additional questions? Senator Dorn.

DORN: Thank you, Senator Wishart. Thank you for being here. I guess, over the years-- just kind of a general comment-- when there has been

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some plans brought forward, OPS has, more often than not, probably been opposed to them. What would it take for OPS to be in favor of something?

BRI FULL: You know, I think that's a good question. I think if the Legislature took more of an initiative to include us in talks-- you know, the Governor did include us initially, but any other amendments or conversations that have been made have not included us. And so I think when you are proposing a piece of legislation that would change our funding so drastically and that would fundamentally change the way that we have to do things, it's important that we are included every step of the way. And, and so I think collaboration could definitely get us to a place where we are more accepting and have more buy-in of the changes that the Legislature is trying to make to school funding.

DORN: Well, thank you for those comments. But part of what you just said was sustainability and long-term sustainability and--

BRI FULL: Right.

DORN: --how the state-- how we fund, basically, school funding. I'm not sure we can guarantee that for you ever, though. So I guess I am trying to differentiate between the two or why including more in your conversations there-- somewhere, there has to be something else to have the sustainability.

BRI FULL: Sure, yeah.

WISHART: Any additional questions?

BRI FULL: And I am going to have Mr. Rhian come up and-- if you have any additional fiscal questions, he can answer them for you.

WISHART: Thank you. Additional opponents. Good evening.

SHANE RHIAN: Good evening, Vice Chair Wishart, members of the Appropriations Committee. My name is Shane Rhian. I'm the chief financial officer for Omaha Public School District. And I'd be happy to answer any questions that you might have.

WISHART: Any additional questions? Please spell your name out please.

SHANE RHIAN: Oh, excuse me. S-h-a-n-e R-h-i-a-n.

WISHART: Thank you. Senator Dorn.

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DORN: Thank, thank you, Senator Wishart. Thank you for being here. I'll, I'll ask you the same question I just asked the lady before you here. What, what's it going to take for OPS to be supportive of a plan, knowing that we basically can't guarantee long-term sustainability?

SHANE RHIAN: Thank you very much for that question, Senator Dorn. We believe as a district that property taxes are the most stable source of resources for our school district, and any proposed change to school funding that would shift the balance of state aid to local property taxes could ultimately be very detrimental to our school district. When there are times when the state Legislature has to make tough decisions and this committee, the Appropriations Committee, has to make reductions in funding for school districts or hold funding very flat, that ultimately comes back to equalized school districts such as ourselves. And unlike the nonequalized school districts, we are not able to go out and increase our levy above the \$1.05 cap. And so property taxes are the most sustainable source of revenue for our school district. Foundation aid is also something that we oppose on a very principled basis. We ask our patrons to fully support our school district with the \$1.05 levy and still require an additional \$286 million from the state to educate our students based on the calculation of the TEEOSA formula. So we're at about a 50/50 split right now. Any shift toward 60/40 state to local resources could be very problematic for us, especially if there is a recession or economic downturn and state aid would be held flat or reduced and we would have to make some tough choices on our end about staffing levels, providing living wages for our staff or what programs we're able to offer our students in our 86 school buildings.

DORN: Thank you.

WISHART: Senator Erdman and then Senator Vargas.

ERDMAN: Thank you, Senator Wishart. Thanks for coming to answer our questions. So I, I see your total mill levy is almost \$1.25, \$1.24 something. And your-- as you stated, your equalization aid is about \$280 million--

SHANE RHIAN: Um-hum.

ERDMAN: --including your tax dollars. And so you're concerned about if we go away from property tax and the state has a revenue shortfall or

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have a tough time, we decrease funding to your school. Is that the scenario that you're presenting to us?

SHANE RHIAN: That's it in a nutshell, yes, Senator Erdman.

ERDMAN: OK. So if we have a shortfall and the state runs on hard times, that means that the patrons of your district are also having a hard time making ends meet. But because you collect property tax, it doesn't make any difference to those people if they can pay it or not. You just continue to collect the same taxes you've always collected. And you never have to worry about getting your tax dollars because on the first Monday of March of every year, your county treasurer sells all the certificates that weren't paid. So you know for a fact that, every year, you're going to get exactly the dollars you request from property taxes. Somebody is willing to pay those. So not taking into consideration the fact that those people paying the taxes will have to suffer because they can't pay the taxes, it's OK that the school should get all that they get every time and put the, the burden on those who can't pay the taxes. That is a very, very selfish way to look at it, because you should function under the same guise that everybody else does. When the economy turns down and there's less revenue, you need to function under less revenue. So standing here-- sitting here and saying it's the most reliable form of funding is exactly true. What that means is we can't tax the hell out of you without your permission. That's what it is. And so that's disingenuous to come here and say this is the most reliable form of funding, knowing that us poor suckers that pay it, we have to pay it no matter what, if we can afford it or not. That's a problem.

SHANE RHIAN: Thank you for the question, Senator Erdman. Property tax revenue is the more-- most stable form of funding for our school districts and all school districts because we have a locally re-- locally elected Board of Education that levies that mill rate and lives in the community and knows what our community members are going for-- going through.

ERDMAN: So, so the--

SHANE RHIAN: The Legislature includes several-- most-- the majority that live outside of the city of Omaha and may not have the same context of what our patrons are going through--

ERDMAN: I understand. So--

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SHANE RHIAN: --and may make decisions that would be detrimental to our school district.

ERDMAN: So you're saying local control is the best? Is that what you're indicating?

SHANE RHIAN: Local control is a very important aspect of the school board, yes, sir.

ERDMAN: OK. And I agree with you. But here's my definition of local control: it's the money that's in my pocket I have control over, not the money in my pocket that you have control over. That's the difference between your definition of local control and mine.

WISHART: Senator Vargas.

VARGAS: Thank you very much. And it's actually a really good conversation. I appreciate Senator Erdman on a couple different points. I think a lot of times we have talked off the mic about-- we talk about property tax relief a lot. We have done hundreds of millions of dollars of property tax relief within the Appropriations budget, and I believe we also have it budgeted for that in our preliminary. Can't remember the exact amount off the top of my head, but it is hundreds of millions. And we always talk about-- these questions that he's asking about-- are people actually going to commit to lowering their, their levies is a valid one because otherwise, what are we going to do? The state is going to have to pick up the-- pick up funding in the long term, which-- it just-- I think that's my larger concern. So I, I wanted to see if you could speak a little bit more to-- and I mentioned this earlier when I asked the Governor. We've had economic downturns in my-- in our first year, 2017, and we've had better years this year. But looking at historical averages, that's, that's still a lot of fluctuation. So I would agree that property taxes are more stable. I, I don't agree with the sentiment necessarily that means that that is what we have to do-- or, that's a reason to not necessarily support this. But I do think-- I'd like to see are there other reasons beyond the sustainability on whether or not future Legislatures are going to fund this and prioritize this that are reasons to be opposed to this that you, that you might be able to speak to?

SHANE RHIAN: I, I would say sustainability is the number-one reason. When we look at the three bills that make up the educa-- the Governor's education finance reform and the seven or eight bills that

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make up the tax reform, there are some sweeping changes to income tax that trickle down to school districts through the allocated income tax. I am very concerned about what the proposed change in valuation for ag land to an income-based approach would have on the TEEOSA formula. Looking at the way Iowa does theirs, there have been years where the income-based approach results in a valuation at 25 percent of market valuation for the cost of that land. If you cut the already artificially reduced valuation of ag land within TEEOSA by half or more, that could greatly increase the annual contribution required by the state to fund TEEOSA, which could then trickle down to equalized schools through reduced funding if that doesn't fit a future appropriation number. Sustainability is the number-one issue. I think secondarily is the philosophy of foundation aid. School districts that are out there that levy \$0.30 or \$0.40 because they have so much property in their school district and a relatively small amount of students have the opportunity to contribute more to their school if they feel that their school needs to offer additional services or programs. We as a densely populated urban school district with a very fixed footprint only have the \$1.05 that we can levy for property taxes. And through the TEEOSA formula, we can only generate about half of what it costs to educate one of our students through our local property taxes. So the redirection of state tax dollars to school districts that have sufficient levy room in their district is not something that we can be in support of. We would like to see that allocated through a program that would benefit more school districts that are equalized or have difficulty meeting the needs of their students.

VARGAS: I, I appreciate that. Thank you very much.

WISHART: Additional questions? Senator Armendariz.

ARMENDARIZ: Thank you, Senator. Thank you for being here. I do live in OPS in Bennington, so I can speak to the property tax. Bennington arguably is the highest mill levy in the state--

SHANE RHIAN: I agree.

ARMENDARIZ: --next to--

SHANE RHIAN: I live right, I live right across the street from Bennington in your district, Senator.

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ARMENDARIZ: OK. So you live in my district. So you understand the pressures of the property tax argument. It's a big one in our district. Unfortunately, too many people think OPS is not producing what they think those dollars are going to. So it's a very difficult conversation. If we had one of the premier school districts and we're paying premier price, I think it would be less of an argument. So I think it needs the, the success rate of those students of our largest school district. That needs to be a conversation. If, if we keep taxing-- I mean, across the country, we're one of the highest property taxes.

SHANE RHIAN: Senator, I, I don't think anyone in OPS would tell you they are happy with the results that we've had--

ARMENDARIZ: I imagine.

SHANE RHIAN: --over the, the last several years. I think that anyone in the administration or in building leadership would tell you that we strive to do better. We are trying to do better. We are looking at making significant investments in attracting and retaining staff through compensation. That will require additional funding. I think it's important to put in perspective the type of school district we are as OPS, as a large urban school district with high-density poverty within our population, which is a much different scenario than other school districts that surround us. And when you compare us and hold us up, it's important to pick school districts that reflect similar situations to us. If you look at districts like Kansas City, Missouri, Oklahoma City, other large urban school districts that have significant poverty, that's maybe a better comparison than an OPS to a Bennington or Millard Public Schools.

ARMENDARIZ: I appreciate that comparison because I grew up in inner city Omaha with large amounts of poverty. That hasn't changed. It's getting larger.

SHANE RHIAN: Yes.

ARMENDARIZ: But the conduct in cla-- I will reiterate, like I did earlier today-- the conduct in the classroom is not being addressed, like when I was going to those inner city schools. And I think the teachers are frustrated. Like I said, not one of them said that they weren't getting paid enough. They might mean that because the expectation has exponentially grown for them and it's just not worth

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it anymore. Can we address the frustration they're having in the classroom instead of just throw more money at it?

SHANE RHIAN: I think our building leaders attempt to address that on a daily basis. I think things are significantly different than when I was in school 30 plus years ago, which is longer than I care to, to admit to. I, I think having seen my children grow up and go through Lincoln Public Schools, it is, it is just far-- vastly different than when I was a child. And there's a lot of reasons for that. Some of them are within our control, some of them are not. But we certainly are committed to all of our students. We strive to do the best that we can with what we have available to us today and to find ways to improve on that on an ongoing basis.

ARMENDARIZ: I, I appreciate that. I just wanted to state that we, we can't afford to just keep paying more and more and more because it's getting more and more difficult in a classroom. We have to, we have to get the difficulty of the classroom addressed.

SHANE RHIAN: I agree. Student conduct can be an issue, and we do attempt to address that through social and emotional learning initiatives. Those cost money. It does take additional funding for our teachers. There's a short labor pool. We have significant vacancies. We have had for years. We've seen an increase in the number of individuals retiring. So we do try to put together a workplace that's attractive to our-- to teachers that will compensate them so they would want to come work for us.

ARMENDARIZ: Thank you.

WISHART: Any additional questions? Seeing none. Thank you.

SHANE RHIAN: Thank you.

WISHART: Additional opponents. Seeing none. Anyone in the neutral? Seeing none. Chairman Clements, you're welcome to close.

CLEMENTS: I'll keep this brief. Back to the bill. The Governor has worked with the large schools and the small schools to get consensus support for his package, and he has provided this Education Future Fund. Its purpose is to assure those schools that the \$300 million in new funding is sustainable. And as you heard from the-- his budget director, that that's the purpose for this fund and that they're working-- sounds like they're still working on maybe the, the fine details of the other bills, but this would be the backup so that when

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there is a shortfall in state funding, this billion dollar fund can be used to-- I think he said up to at least 2030 in even difficult revenue cases.

WISHART: Thank you, Chair. Any final questions? OK. We do have some position comments. Just 1 position comment in neutral. And with that, we'll close the hearing for LB681.

CLEMENTS: We're now going to go on to LB48, Senator Dorn. And due to the time of day, I'd prefer to stick with three minutes for testifiers. Senator Dorn, welcome.

DORN: Welcome. And good aft-- good, good-- almost good evening or whatever. So, LB48. Good afternoon, members of the Appropriations Committee. I am Myron Dorn, M-y-r-o-n D-o-r-n, and I represent District 30, which includes Gage County and southeastern Lancaster County. In 1965, the Nebraska Legislature created 17 educational service units to maximize resources and to provide critical services to Nebraska schools. Since fiscal year 2009-10, the core service funds allocated to service units have been systematically reduced by 14.6 percent. Specifically, they've been reduced from an allocation of approximately \$15.6 million in 20-- 2009-10 to current allocation of approximately \$13.3 million. LB48 would help restore the funds that have been cut over the past several years. In this bill, per service funds would increase from the current \$13.3 million to \$16.3 million for fiscal years '23-24 and to \$16.8 million for the following fiscal year. ESUs provide core services, which are defined in statute as professional development, technology, infrastructure and instructional materials. Schools depend on service units to provide these critical services. In fact, requests from schools for these core services' support has only increased as educational needs have changed. For example, schools request support for behavioral management, instructional strategies, implementing new research-based curriculums and new teachers entering their professions. Schools also request more support from ESU to help them with their technology and technology infrastructure. For instance, some clerk-- curriculums now provide the use of 3D printers or the creation of drones and other technology-related products. Schools also need assistance monitoring their computer networks. It's unfair to ask a social study teacher or English, or English teacher who is not qualified to monitor these highly technical networks to do so. Additionally, the Department of Education does not have employees deployed across the state of Nebraska. They rely on service units to assist them when schools need improvements. Finally, during the pandemic, federal funds were given

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to nearly, nearly every educational institution across the United States, including colleges, universities, public schools and Department of Education. But service units did not receive any of these federal funds. ESUs cannot be expected to continue providing services, even though these same services were provided 10 to 12 years ago for less money, let alone provide all the additional services we are asking them to do to meet the needs of students, whether academic, technological, behavioral and mental health or the professional development of teachers, to name just a few. It is due to these reasons that I am bringing forth LB48 for your consideration. Happy to answer any questions. And I think Senator Lippincott, his bill earlier today, LB610, there were several other people that talked about that and how some of those Perkins funds and stuff that is worked down through, especially the smaller schools out west, it's worked down through their ESUs and how the ESUs help deploy that and such, so.

CLEMENTS: Any questions from the committee? Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thank you, Senator Dorn. You know, over time, I've been watching these ESUs. I've been involved with them. I was on the school board. So their funding was cut during COVID, is that what you said?

DORN: No. Their funding was cut approximately 10 years ago, when they were at a level of about \$15 million, and their funding was cut down to that \$13.3 million. And then they've been basically steady in that level ever since then.

ERDMAN: Is, is part of their need for more funds is they're doing more than they used to do?

DORN: Part of their needs-- part of the-- you're partly correct-- or, kind of correct in that way. Many of the schools, especially the rural schools, aren't able to-- I call it-- like, like I told Senator Armendariz earlier, they-- when you have a foreign language or whatever, many of the smaller schools can't supply a teacher for three or four students. Now, these ESUs have been able to, like, have a class, an online class where they project it out to them, and 3, 4 or 5 or 6 different schools can go through that. One of the other things that these schools really do-- I know-- I don't know if he's here to talk about it or not, but many of these ESUs are now-- I call it the computer base for many of the high schools. That's where they go through with their systems so that now they have the cybersecurity and

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they have a network that they can use in their school to make sure that hopefully they don't have problems.

ERDMAN: Why don't they just use OCIO?

DORN: If we can do that as a state funding source and that-- that you have to talk to Senator Clements with. But thank you for bringing that up, yeah.

ERDMAN: Here, here's the deal. You know, you made a comment about having three or four students whose second lang-- English is a second language.

DORN: Yeah.

ERDMAN: Some of these schools [INAUDIBLE] and do that without having the ESU. So I, I think at some point we need to have an LR to see if the reason we started ESUs is actually accomplishing what we asked them to do. And if we didn't have mission creep-- in other words, they're taking over a lot of stuff that they shouldn't be doing-- that's why the expense is so great. I, I'm having a difficult time understanding the continuation of mission creep for ESUs as we go by-- as we go on,

DORN: Some of the testifiers behind you will be able to maybe zero in on some of those comments.

ERDMAN: OK. Thank you.

DORN: Yeah.

CLEMENTS: Thank you, Senator Dorn. We'll invite the first proponent for LB48. Welcome.

DAN SCHNOES: Good afternoon, Chairperson Clements and members of the Appropriations Committee. Thanks for hanging with us today. It has been a long day. My name is Dan Schnoes, D-a-n S-c-h-n-o-e-s. I'm the administrator of ESU 3 in Omaha. I have a handout that's going around. Special thank-you to Senator Dorn for submitting LB48. This bill is before the Appropriations Committee today. It's very important to the core services for that each-- ESU provides. Simply, we are asking you to catch us up to where we were financially, as past cuts were not replaced. And as you all are well aware, the ESUs are an important part of the education community in the state of Nebraska and we provide a plethora of services for our school districts, more so

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than when the ESUs were developed over 50 years ago. ESUs were asked time again-- time again to help during the pandemic. In a lot of cases, we carried the mail, delivered the grain, but we've received no additional funding, and we just wanted to help out our school districts as much as we could. We feel we have proven ourselves many times over. And in many cases with our colleagues from other states, which there are 45 states that have ESA-type agencies, they're very envious of our positive and collaborative relationships that we have with our school districts and our educational community. ESU 3 serves 18 districts in the Omaha metro and surrounding areas. We have eight schools that are classified as rural in our two rural counties. We have over 86,000 kids, 5,500 teachers. On average, we see an increase of 1,000 kids that move in to our area every year. This past year, as you can see on that first infographic that's beyond my two pages of testimony, you'll see that core services only make up 11 percent of our budget. Our property taxes covers the other 22 percent and, therefore, and all the other services that we provide, it all comes from grants and contracts that we are working through either NDE, state contracts or, in some cases, federal grants. And as you can see on the infographic, our core services cover some of our basic needs, but we rely on those grants for many of them. I'd like to highlight one of our successful programs, which goes hand in hand with LB610, which is the Perkins money, which we are very supportive of, is our makerspace lab. And you can see that that program is extremely popular with our school districts, many of the CTE preparatory programs. And we bring in elementary and middle school kids and start getting them connected to all the different things that they can do careerwise. And you can see that on the other infographic. It'll share more information. And you might ask, if we had more core service dollars, then what? What will that bring? Well, we are being asked by our school district to continue to provide more and more services. I listed some of them on the second page there. And I know I'm going to run short of time here. We're asking for \$3 million. It's only-- I think if, I think if I did the math in my head right, it's about three-tenths of 1 percent of what they were asking in the last bill. So we're not asking for a lot, but we do know that our costs have gone up. Everybody's costs have gone up. Our school districts are asking us to do more. Efficiently, we are a mechanism for you guys to save that-- save the state money. And that's what ESUs do, and we try to provide services every year to do that. And I know I'm out of time, but I'd be willing to answer any questions if you have any.

CLEMENTS: Are there questions? Senator McDonnell.

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McDONNELL: Thank you. Thank you for being here. Thank you for all your work. Was there anything else you wanted to finish?

DAN SCHNOES: There was a couple things. I just wanted to again highlight the makerspace lab because we use-- and so here's an example of our 18 districts. When we said, you know, we have an old computer lab that we don't bring people in for computers anymore because almost all of our districts are one-to-one. They're almost all that way across the state of Nebraska. So we know-- in our, in our, in our data center, we'll have 110,000 devices that will probably be hitting our network every day. And so when we look at cybersecurity, we will look at filtering. We will look at all the different things that are, that are happening in there. But, but when we asked our districts, what do we do to replace the old computer lab? Our district said, put some money towards a makerspace lab so we can bring kids in, we can bring teachers in, we can look at those programs. We invested about \$100,000 into those pro-- this program. And now anybody can use it all day long if they want to come in and bring teachers in. So, initially, we saved, you know, many dollars for those school districts. The other thing I want to mention-- and we've talked about it a little bit, that a lot of the other districts hit on is, the pandemic put a huge amount of stress on educational systems across the state and across the nation. There's, there's just no doubt that that happened. A lot of our, our people, they were in working with instructional coaches, they were working with principals, working with administrators, a lot of those people were pulled back in the classroom because we didn't have subs. And so that put a lot of stress on not only the, the, the workings of everybody in the district, but to make things worse-- to make things better during some worse times. Now we're at that point where we're trying to reapply what we learned, and we know we have to beef up the instructional coaching, good instruction for kids in the classroom, but we also need to take care of our teachers. We also need to take care of our administrators. We also need to make sure that families are being taken care of. And so we're asked more so now to get out of our ESUs, which we've been doing a lot these last few years, and to go in the school building and provide that kind of support for those teachers and administrators. Because we know there are a lot of them leaving the workforce, and that's unfortunate. And so we not only have to keep those people in our workforce, but we have to bring in a lot of new teachers. And you talked about stressors that teachers are seeing different in the classroom. That's true. And without that support for them, good mentors, good instructional coaches, good administrators that are providing that support, we're

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going to lose some of those good teachers, especially those new ones that are coming out. And if you look at our list, that's number one, is getting into classrooms and helping. Number two is helping--

McDONNELL: How about a little more of-- just to interrupt. How about a little bit more on workforce development?

DAN SCHNOES: Workforce development, that comes along with growing those teachers not only to do better. One of the, one of the programs a number of our schools are doing is starting to pay student teachers. But back to the makerspace, what we have found is that a lot of our kids in our programs and our teachers coming into the CTE and to our makerspace lab are taking that technology and taking it back into their classrooms. And so they can do projects, connect to our program, go back out. And we have other ESUs that are trying to develop those programs, and that's where the core service funds come in to help develop. I believe it's-- ESU 10 in Kearney actually put a makerspace lab on wheels so they can drive it around to their school buildings. Now, they can do that for a reduced cost so not all schools have to invest in that and that we can share our resources. And that's just another way where we can be efficient.

McDONNELL: Thank you.

DAN SCHNOES: So.

CLEMENTS: Any other questions? Senator Erdman.

ERDMAN: Thank you, Senator Clements. So what is your budget at the ESU 3?

DAN SCHNOES: So if you look at the top of that infographic, we are about \$38 million.

ERDMAN: So what is that per student?

DAN SCHNOES: Hoo. For-- divide that up by 86,000. A couple hundred?

ERDMAN: OK. So you-- one of your comments said you, you saved dollars for the school districts. So what, what is your mill levy then?

DAN SCHNOES: We, we get \$0.015.

ERDMAN: How much?

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DAN SCHNOES: \$0.015.

ERDMAN: OK. So--

DAN SCHNOES: Is, is the max that we can do.

ERDMAN: So if you didn't have the ESUs, the schools would collect that \$0.015. So, you know, I'm, I'm having a difficult time figuring out all those things that you do, how we got here. And-- when-- how many employees do you have?

DAN SCHNOES: About 350.

ERDMAN: How many did you have when you started? Do you know?

DAN SCHNOES: When I started that there?

ERDMAN: Over time.

DAN SCHNOES: So I've been there nine years, and we've probably added may-- well, we, we picked up a Head Start grant for all of Sarpy County. And so that one grant brought us about 50 employees. So we probably added 50 to 75 over the last nine years. Core service dollars provides dollars towards professional learning and technology and instructional materials. Has to be spent in those three areas. So any growth in that area either comes from the increase of core service dollars or we have to use property taxes or we go out and find grants. So we, we added a, a school mental health grant-- it's a federal Systems of Care grant-- about a year and a half ago. That's going to add about 5 to 10 employees. And that grant was to provide school mental health services in our, in our eight rural school districts. And why did we do that grant? It's because our school districts were asking for. They needed help in that area. And that's not coming out of any funding for the ESUs. It's part of my budget. It comes from the federal grant that we work with Region 6.

ERDMAN: On that document you handed us, it says, contracts and grants, 67 percent.

DAN SCHNOES: Correct.

ERDMAN: Contracts with the schools?

DAN SCHNOES: Contracts with the schools. So if you look on there, Brook Valley Schools is a school-- is a program school that we run,

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that we have, depending on the year, 85 to 100 special needs kids that are bussed in there every day. And it's a collaboration of, of all the school districts chipping in. They pay a certain dollar amount per student. And then we have those kids come in with specialized teachers and paras to work with them because these are some of the most difficult kids in the school districts that they can't take care of. And so we bring them in and work these in. And if you ever come to ESU 3, there are two buildings across the road that we've purchased over time. And we've run this program for, I think, the last 25 to 30 years.

ERDMAN: OK.

DAN SCHNOES: And we have a waiting list for kids to go in.

ERDMAN: So do you know how much-- in that 67 percent, how much is grants and how much is contracts?

DAN SCHNOES: Ooh. I don't know that without coming off, but so the-- so, like, Brook Valley probably has a \$5 million to \$6 million budget, and so that would all be contracts.

ERDMAN: OK.

DAN SCHNOES: And so the Head Start grant is about \$2.5 million a year. So that's a grant. Our, our school mental health grant is-- our cut is about \$500,000 a year. So probably a pretty good balance [INAUDIBLE].

ERDMAN: Because those contracts, if they come from public schools, that's probably tax dollars.

DAN SCHNOES: Most of that would be special ed dollars for that program that that would be paying. So most of it would either come from other equalization aid or the property taxes, yes.

ERDMAN: But, but your, your contracts for those computer things you're doing, that wouldn't be special ed.

DAN SCHNOES: For the district technology?

ERDMAN: Yeah.

DAN SCHNOES: No. That would come out of our property tax, that \$0.015. It either comes out of core services or it comes out of that \$0.015. So we have a data center. We provide backup and recovery services for

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more than half of our districts. And then we provide a filtering software. And we provide-- we have, we have the largest bandwidth of anybody in the state of Nebraska because of the number of kids we serve and because of the number of devices [INAUDIBLE].

ERDMAN: And so out of those \$3 million in contribution we may make, how much would you get?

DAN SCHNOES: That's a good question. If you divide-- there's 17 of us, so if you did a rough divide--

ERDMAN: Is it just straight across or by population?

DAN SCHNOES: It's going to be by population. And, and core services runs on kind of a similar formula like state aid does, TEEOSA. I don't know. We've never run the formula, but I'm guessing a couple hundred thousand.

ERDMAN: So I would say if we have 350,000 students. And you got 86.5--

DAN SCHNOES: [INAUDIBLE].

ERDMAN: You got the lion's share. You're going to get a significant portion of that.

DAN SCHNOES: Probably, yeah.

ERDMAN: Thank you.

DAN SCHNOES: Good question.

CLEMENTS: Senator McDonnell.

McDONNELL: Follow-up on one of Senator Erdman's questions. As, as you grew with the number of employees based on the, the need, how many of the students-- how much population grew with the students and the teachers? Do you have that over the last 10 years?

DAN SCHNOES: So-- yeah. I could look that back up. But I think when I started nine years ago, we were probably at about 72,000 kids. And for a couple years, we were growing by 1,500 to 2,000 students a year. During the pandemic year, we took a little dip in the number of kids served because there were more homeschooling, but now a, a huge percentage of those came back. And so we've probably grown 10,000 to 15,000 kids in just the ESU 3 area. But Senator Erdman is correct. We,

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we work with about 20-- about, about a quarter of the kids in the state of Nebraska, in our area. And then we also provide some services to our private schools as well if they contract with us.

McDONNELL: So the growth of staff was based on the, the, the need and based on the students?

DAN SCHNOES: Yep.

McDONNELL: Thank you.

DAN SCHNOES: Exactly.

CLEMENTS: Other questions? Seeing none. Thank you for your testimony.

DAN SCHNOES: OK. Thank you.

CLEMENTS: Next proponent. Welcome again.

JACK MOLES: Thank you again. Good evening, Senator Clements and members of the Appropriations Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association. And today, I am not only speaking on behalf of NRCSA but also on behalf of the Nebraska Council of School Administrators, Nebraska Association of School Boards, the Nebraska State Education Association, Schools Taking Action for Nebraska's Students' Education [SIC] and the Greater Nebraska Schools Association. And on behalf of all those groups, I would like to voice our support for LB48. We thank Senator Dorn for considering the needs of Nebraska's ESUs and public schools by attempting to restore much-needed funding to our educational service units. Senator Dorn actually went through what the breakdown is, what, what has happened to funding over the years. Today, the state provides a little over \$13 million. Back in 2009, 2010, the state provided \$15 million, a little over \$15 million. So a loss of-- a drop of over a-- about-- over \$2 million since then per year. And at one point, actually, the funding was as low as \$12.5 million. But it has been brought back up a little bit. And so one of the things I looked at was, you know, what happens when ESUs lose funding? And one of the things I looked at was, in my experience, is that, many times-- we asked-- as a superintendent, we asked our ESU to take on some things. And when that happens-- and there weren't-- there wasn't funding available within the service unit, who paid for it? Well, the, the schools did. We pooled our services-- or, our resources together to pay for something. So, Senator Erdman, you're correct. That went back to the public schools

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then, which helped raise our property taxes. A few years ago, I did a study for Senator Groene in which I looked at the ESU services upon which rural schools were most dependent. And in the study, I, I identified 40 services. And I asked the superintendents, tell me which ones you're using. And as I looked at that, there were about, I think about 25 or 30 of those services over half the districts were using. But one of the things that was most striking to me as I looked at the list of that-- of those 40 services, probably 30 years ago, half the things on that list were not important to public schools or needed by public schools at that time. Those things have grown since then. And so, in closing, it's the belief of all the groups that I'm representing that we-- more is needed in funding our ESUs, and Senator Dorn's bill is simply a step in restoring lost state funding. So we greatly appreciate his efforts and encourage you to move this bill forward.

CLEMENTS: Are there questions? Senator McDonnell.

McDONNELL: So Senator Dorn's bill gets you back to where? It doesn't get you back to even. It gets you get you back to how close?

JACK MOLES: It gets back to even where they were.

McDONNELL: OK.

JACK MOLES: You know, in, like, 2009--

McDONNELL: At that point in time?

JACK MOLES: --2010, about in that time frame.

McDONNELL: At that point in time?

JACK MOLES: Yeah.

McDONNELL: Without looking at cost of living and other-- OK.

JACK MOLES: Right.

McDONNELL: Thank you.

CLEMENTS: Are there questions? Seeing none. Thank you, Mr. Moles.

JACK MOLES: Thank you.

CLEMENTS: Next proponent. Welcome.

KEVIN WINGARD: Senator Clements and Appropriations Committee. My name is Kevin Wingard, K-e-v-i-n W-i-n-g-a-r-d. I'm the superintendent of Milford Public Schools, current chair of the Nebraska Council of School Administrators. I'm here today in support of LB48. Milford is a member of Educational Service Student 6 in Milford. ESU 6 serves 16 districts across five counties and provides vital services and impact 14,000 students and nearly 1,000 teachers. I don't have time today to address all the core service areas that are provided by ESUs-- ESU 6. Today, I'm going to focus my comments on what I think is a little bit misunderstood but a vital area: the technology infrastructure, all of which Milford Public schools could not do on their own. First disaster recovery. Through the ESU, Milford has a turnkey disaster recovery plan, with servers hosted out of two data centers with full, uninterrupted power supply and generator services for backup-- for a backup power source. A lot of these things are required by our insurance company, with ransomware and, and other issues that take place for them to provide us coverage. Next, our servers that are managed by the ESUs for critical files and systems that we use for daily operations. The ESU runs consistent backups, some of which are retained for over a year, equipment we cannot purchase on our own at Milford Public Schools. Through the ESU, nearly 500 different aspects of our Mil-- of our Milford network are monitored so we have immediate alerts if there's a problem and we can take immediate action to address it. Also, the ESU functions as a network hub firewall, which provides network security, monitoring incoming and outgoing network traffic that permits or blocks data packets based on established protocols by our school district. In addition, the ESU assists with the oversight of content filtering, which ensures students are safe and that content is-- content that is inappropriate or objectionable can be-- cannot be accessed. The list goes on and on. But with three minutes, I need to start wrapping up here. But with all of this, we have out-- with all of the things mentioned, we have outstanding security and support for the many technology systems we rely on in Milford. Simply put, Milford Public Schools and most other schools would struggle to maintain functionality and operations without ESUs supporting so many services that are an inherent part of today's education system. Obviously, I address you today as one school district and located in one ESU, but I want to emphasize that, based on my experience and discussions with my colleagues, I know ESUs across the state provide many critical services to their member school districts. From my experience, I believe the role of the ESU is too often taken for granted. People just don't understand the role they play. I also believe that ESUs have been overreliant on a modest

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\$0.015 cent levy and on contracting services to districts. Many services that are billed dollar-for-dollar to the districts, services that ESUs are mandated by state statute to deliver through technology and professional development. LB48 is-- would be a strong gesture of support. I believe ESUs are an invaluable state-required entity. I want to thank Senator Dorn for sponsoring this important bill for ESUs. Thank you for letting me testify today.

CLEMENTS: Thank you. Are there questions? Seeing none. Thank you for abiding by our, our shorter time with it. Appreciate it.

KEVIN WINGARD: [INAUDIBLE]. Thanks.

CLEMENTS: Next proponent. Seeing none. Is there anyone in opposition? Seeing none. Anyone in the neutral capacity? Seeing none. Do we have comments? We have position comments on LB48: 7 proponents, 0 opponents, 0 in the neutral. That will conclude our hearing on LB48. We will open our hearing on LB319. Welcome.

SEAN FLOWERDAY: Thanks for having me. OK.

CLEMENTS: Go ahead.

SEAN FLOWERDAY: Good evening, Chairman Clements and the members of the Appropriation Committee. For the record, my name is Sean Flowerday. That's S-e-a-n F-l-o-w-e-r-d-a-y. I serve as staff for Senator Bostar, who regrets that he's unable to be here this evening. He had a time-sensitive meeting that was he was unable to reschedule with the change in times for today. I'm here to present LB319, a bill to provide a one-time transfer of funds for early childhood purposes. Nebraska's childcare industry has been badly underfunded for years. As a result, we do not have enough childcare openings for Nebraska families to meet the current demand. We can't attract and retain the workforce needed to provide care, and parents are forced to shoulder the burden of increasing childcare tuition rates. Prior to the pandemic, First Five Nebraska, in coordination with the University of Nebraska-- the University of Nebraska Bureau of Business Research, conducted a study to analyze the financial impact that inadequate childcare options have had on our state. This study found that insufficient childcare options take a heavy toll on Nebraska families, employers and state revenues, resulting in nearly \$745 million annually in direct losses. COVID-19 only exacerbated the problem. Although federal funding provided through the, the American Rescue Plan Act helped buoy the industry, it was only a temporary solution,

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and more still needs to be done to stabilize the situation. Without a sustainable, long-term solution, we will continue to hear from communities as they struggle to provide care to our youngest Nebraskans. LB319 provides a one-time transfer to, to areas we know need the most support. All funds provided in this bill will be invested by the state investment officer, and all funds must be expended by the year 2027. Over the biennium, the bill provides a one-time transfer of funds to the following: \$50 million to the Early-- to the Nebraska Early Learning Endowment Fund, also known as Sixpence. Sixpence is a uniquely Nebraskan approach to helping parents give their infants and toddlers, especially those facing significant challenges, a better start in life. It combines public and private resources to fund and enhance the quality of parent engagement efforts, center-based services and childcare programs in 36 counties throughout the state. Because of its success, First Five has identified 50 communities that want to either expand or start new Sixpence-- or, start a new Sixpence program but are currently unable to do so because of lack of available funding. This money will provide the necessary support to those communities. Another \$40 million to the Child Care Capacity Expansion Fund to support communities and help them increase the number of childcare programs. Last year, as part of LB1024, introduced by Senator Wayne, the Legislature appropriated \$4 million to the Department of Health and Human Services in order to support increasing childcare capacity across the state. The department received 82 applications for the first round of funding and unfortunately were only able to award funding to 16 communities. This additional funding will support communities across the state that were left out of the initial round. And finally, \$10 million to the Child Care WAGE\$ Fund to support the Nebraska NAEYC WAGE\$ Program. This program is the only statewide wage supplement program currently available to childcare employees. We have the funding available to make a substantial and significant investment in the childcare industry that will provide needed assistance to employers, employees and Nebraska families. LB319 is part of a long-term strategy to fund the early childcare-- childhood system so more Nebraska parents can access and afford quality care, our children can receive quality care and all childcare providers and their employees have the financial resources available to them to have successful and stable businesses and careers. Senator Bostar asked that I convey that this legislation was introduced to offer the Appropriations Committee an opportunity to review what we believe are worthy programs that offer Nebraskans a lot of value. If the Appropriations Committee sees fit to make investments in Nebraska's early childhood systems this biennium, we felt that

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taking some time to highlight these programs in particular was warranted. Those who will testify behind me, briefly, will provide additional details. Thank you for your time. I encourage you to support LB319. Happy to answer any questions.

CLEMENTS: Any questions from the committee? Senator Lippincott.

LIPPINCOTT: Who would qualify for this?

SEAN FLOWERDAY: I'm going to have the representative from First Five answer that question. She'll know far better than I, and she'll certainly have it.

LIPPINCOTT: All right. Thank you.

CLEMENTS: Other questions?

SEAN FLOWERDAY: All right.

CLEMENTS: Welcome.

TRACY GORDON: Hi. Good evening, Chair Clements and members of the Appropriations Committee. My name is Tracy Gordon, T-r-a-c-y G-o-r-d-o-n, and I am the executive director for the Nebraska Association for the Education of Young Children, Nebraska AEYC, and a passionate advocate on behalf of early childhood education. I am honored to be here before you representing Nebraska AEYC's talented staff and, more importantly, the larger early childhood community. One of the initiatives that you asked who would benefit from in this bill? I am here to share with you about the Child Care WAGE\$ Program. The Child Care WAGE\$ Nebraska Program provides incentives for individuals to remain in the field of early childhood education while improving the skills and abilities of the workforce while reducing turnover. Across the country, early childhood educators typically receive low wages in the field. Oh-- where did I go? Receive low wages. And childcare workers typically make about \$25,000 a year, half the average wage for all Nebraska workers. While the childcare industry is still experiences high levels of turnover and is currently experiencing the same staffing issues as many industries in Nebraska, providers have been incentivized to remain in childcare because of the salary supplements provided by the WAGE\$ Program. Nebraska AEYC was selected to administer Child Care WAGE\$ in 2019, and we awarded our first supplement in 2020. Child Care WAGE\$ Nebraska is the only wage support program in the state and currently provides salary supplements to 34 family childcare providers across the state. Our average

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supplement is \$1,114 a year. Currently, the WAGE\$ Program is funded by the Nebraska Department of Education, and I know the department would allow us to expand the WAGE\$ Program if we had more funding available. If we had more funds available, we'd be able to offer the program not only to family childcare providers but to childcare centers across the state as well. So on the back of my testimony, you have results of the surveys that we send out to our recipients of the salary supplements every year. 96 percent said that WAGE\$ encouraged them to stay in their current early education program, and 100 percent said receiving the WAGE\$ supplement helped ease financial stress. I've been sitting here all afternoon, listening to the testimony of the bills before me, and all I can hear as I listen is how valuable and important childcare and early childhood education is to the infrastructure of our state. We know that parents are the first and most important teachers in a child's life, but the reality is that 75 percent of parents with young children under the age of six have both parents working-- or, all adults working outside of the home. So because of that, we know that there are a lot of children who are in need of high-quality early childhood care experiences. So early childhood education is the workforce behind the workforce. It is how other parents and other people get to do their job. So I would encourage you to place this investment in early childhood educators by voting in favor of LB319.

CLEMENTS: Thank you. Are there questions? Seeing-- oh. Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thank you for coming. So, currently, where do you get your funding now?

TRACY GORDON: The Nebraska Department of Education.

ERDMAN: How much do you get?

TRACY GORDON: \$60,000.

ERDMAN: \$60,000? So how much of this new allocation would you get?

TRACY GORDON: Well, I'm hoping that we would get all \$10 million, but I'm thinking that it would be spread over the course of three years.

ERDMAN: So you're getting \$60,000 and you want to go to \$10 million?

TRACY GORDON: I'd love to go to \$10 million, because \$60,000 is only supporting 35 family childcare providers right now. And we know that we have over 10,000 early childhood educators in the workforce in the

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state. So if we could get \$10 million, I could do significantly more with that and impact a much, much larger population of our workforce.

ERDMAN: I would say you should, with that kind of [INAUDIBLE].

TRACY GORDON: I would.

ERDMAN: So, so who's the statewide organization? Is that you?

TRACY GORDON: That is us, Nebraska Association.

ERDMAN: I think I heard the introducer say something about Sixpence. Did he say something--

TRACY GORDON: That's one-- that's the other initiative that's included in the bill.

ERDMAN: OK. What do-- do you know about them or should I ask [INAUDIBLE]?

TRACY GORDON: I do, but they're going to come up after me. So, yeah. They'll, they'll talk.

ERDMAN: OK. All right. So are you a lobbyist?

TRACY GORDON: I am not.

ERDMAN: OK.

TRACY GORDON: Like I said, I'm just a passionate advocate.

ERDMAN: Thank you.

TRACY GORDON: Thank you.

CLEMENTS: Thank you. Next proponent. Welcome.

KATIE BENNER: Thank you. Chairman Clements and members of the Appropriation Committee, thank you for the opportunity to speak. My name is Katie Benner, K-a-t-i-e B-e-n-n-e-r. I'm here today on behalf of Merrick County Child Development Center as well as Central City Communities for Kids to testify in support of LB319. Limited access to quality childcare is not new. Central City in rural Nebraska are extremely short on high-quality childcare options. According to the most recent census in Central City, there are 341 children in Central City between the ages of zero and five years old. 284 parents are

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working. There are currently 112 licensed childcare spots in Central City. This leaves a gap number of 172 children in need of high-quality, affordable childcare. LB319 supports working parents and the childcare industry. This bill provides wage supplements for early childhood educators that work with children from birth to five. This is amazing. Childcare professionals are severely underpaid, yet these individuals are essential, tasked with molding the next generation of this country. In a business, in a business that is inherently profit challenged, this funding would be absolutely amazing for Nebraska childcare professionals. This bill would also provide capacity expansion grants. I can personally testify to the positive impact these grants would have on a community. The Merrick County Child Development Center currently serves 70 plus families and is at, at capacity with 85 children. However, Central City is set to use federal funds to expand capacity so the childcare center-- center can serve an additional 40 children. And through a partnership with DHHS, the Nebraska Children and Family Foundation's Communities for Kids Initiative has and will continue to provide technical support in this expansion project. This technical assistance provided by Communities for Kids has been invaluable, as most childcare professionals are not professional grant administrators. They have helped us navigate reimbursement submissions and offered broad-scope advice on expenditures and other grant-related matters. We are beyond excited to invite new families and children to our center this summer and know that none of this would be possible without those federal funds. High-quality childcare and early childhood education are the cornerstones for a safe, prosperous, vibrant and inclusive community. An investment in early childhood development will yield almost infinite returns. Please vote in favor of LB319. Thank you again for the opportunity to testify today. I'd be happy to answer any questions you may have.

CLEMENTS: Any questions from the committee? Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. Of, of, of those numbers you gave earlier, the 340 kids and 172-- what, what do they do for childcare? Any--

KATIE BENNER: We've conducted a community survey-- so I'm on the board of directors for the Child Development Center and the community coordinator for Communities for Kids. So in addition to my full-time job, I spend probably 20 hours a week being an advocate for childcare and [INAUDIBLE]. So the community survey, survey went out, and over 300 people responded, which, in a town of 3,000, is pretty

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significant. Lots of those people-- we asked questions. Did they work in Central City? Did they commute? That kind of thing. Lots of their kids stay with family members or one parent doesn't work. And there are unlicensed childcare facilities, you know, in home in Central City as well, so those weren't taken into account.

DORN: And maybe grandpa and grandma.

KATIE BENNER: That's right, yeah. Um-hum.

DORN: So, thank you.

KATIE BENNER: Um-hum.

CLEMENTS: No other questions? Senator Lippincott.

LIPPINCOTT: In Central City, we've got childcare facilities right beside the workout building.

KATIE BENNER: Um-hum.

LIPPINCOTT: Are they going to expand that?

KATIE BENNER: That, that is the expansion I referenced. Yep. So they're currently at capacity. They're licensed for 85, and they're expand-- they're going to expand. It's in progress. Hope to be open this summer to add at least 40, possibly 45 new childcare spots. And that's made possible with ARPA funds, CRRSA funds, all of these federal funds that I applied for. And I'm not a professional grant writer. So to have the technical support has been amazing with reimbursements and stuff like that.

LIPPINCOTT: They were accepting contributions on that too, weren't they?

KATIE BENNER: Of course we are. Absolutely. Anybody is welcome to donate.

LIPPINCOTT: Yeah. You had that little sign out in front of the building--

KATIE BENNER: Um-hum. Um-hum. Yeah.

LIPPINCOTT: --thermometer.

KATIE BENNER: Yeah.

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CLEMENTS: All right. Thank you for your testimony. Next proponent.
Welcome.

ELIZABETH EVERETT: Hi. Thank you for having me today, Chair Clements and members of the Appropriations Committee. My name is Elizabeth Everett. Spelled E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t. And I'm the deputy director of First Five Nebraska, a statewide public policy organization focused on supporting policies that provide quality early learning environments for our youngest Nebraskans. I am here today to testify in support of LB319. I would like to thank Senator Bostar for introducing this important bill. So you have my submitted testimony. You also have a policy brief that we put together and then also testimony from another testifier who wasn't able to make it today. This bill does three things. It provides a \$50 million transfer to Sixpence, which is Nebraska's signature public-private framework that provides care for those most at-risk children birth to three and those families. So those kids really do need the support. It provides \$40 million for capacity expansion grants. As previously mentioned by Sean, we know that several communities have applied for these grants in the past but unfortunately were not able to receive the funding because there were such limited amounts available to them. And then a \$10 million transfer to WAGE\$. We know right now that the childcare industry, especially with COVID-19, is experiencing significant turnover. We have right now about 40 percent of employees last year left the industry. And by only making \$11.17, it's no reason why. So additional wage supplements to help support this crucial industry will help expand program capacity and help support this workforce. So, Senator Lippincott, you asked who would be available for these programs. Any community would be able to apply for a Sixpence grant. Any community would be able to apply for a capacity expansion grant. And any employee would be able to provide-- apply for a WAGE\$ grant. And then so I'm happy to answer any questions.

CLEMENTS: Are there questions? Senator Dorn.

DORN: Thank you. Some of these grants, do they have to be-- I don't know-- call it state certified, or if, if somebody has their child and two others, they wouldn't be able to qualify for these or where--

ELIZABETH EVERETT: No. So for the capacity expansion grants, the hope is that a childcare program would apply for that grant or a community group would apply for those grants to build a new program. The hope is to expand current capacity or to expand from zero to X amount capacity

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to serve more children. No family right now probably would apply for these grants because it's specific to the childcare industry.

DORN: But, but talk a little bit about-- because when I was at a program this summer in Beatrice, they talked about the fact that many of these-- to have-- to be qualified, and they have to go through basically a fingerprint and that kind of stuff.

ELIZABETH EVERETT: Oh, sure.

DORN: That's what I was referring to.

ELIZABETH EVERETT: Oh, sure. Yeah. And that is a big problem. We're actually working with Senator Ibach and Congressman Flood and Congressman-- excuse me-- Congressman Flood and Senator Fischer on that issue. Fingerprinting is a huge issue right now with childcare industry. It's a huge burden to just get fingerprinted and processed. It's required by federal law that every, every employee has to have a federal fingerprint done, but-- it was originally supposed to take 7 days, but right now it's taking anywhere between 7 to 45 days for that information to return to the employee. The, the process between the Department of Health and Human Services and State Patrol is very burdensome. It's not a very quick and streamlined process. And so we're trying to find some federal solutions or state solutions. And we're actually hoping to do an interim study this year to introduce legislation next year.

DORN: So that fingerprinting is more a federal guideline than a state guideline?

ELIZABETH EVERETT: It is, yeah. So there was a federal requirement in 2014 that the state had to implement.

DORN: Thank you.

CLEMENTS: Any other other questions? Senator Erdman.

ERDMAN: Thank you, Senator Clements. Explain Sixpence for me. It says it's a public-private partnership. Explain that.

ELIZABETH EVERETT: Yes. So Sixpence is Nebraska's signature project. It's the only one in the country. It was passed through legislation in 2006. Right now, it provides three different models. So it provides the center-based programs, it provides home visitation programs or it provides the childcare partnership programs. All three of those

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programs have public and private funding attached to them. So we have a public endowment that we set up in 2006 in addition to a private endowment that we set up as well. The initial public endowment had \$40 million. The private endowment had \$20 million. So there is a two-to-one contribution from public and private funding. We also have state general appropriations every year of \$7.5 million. So all of those funds go together to support children and families that are considered vulnerable. And it's only support-- to support children birth to three. And that's specific because we know that infant care costs the most, especially for those childcare programs and for those families to afford.

ERDMAN: Tell me about the private partnership, the \$20 million. Who's-- who-- is that a nonprofit of some kind? Who started that?

ELIZABETH EVERETT: It's multiple philanthropic organizations and multiple family foundations that have contributed funding to it.

ERDMAN: Name a few.

ELIZABETH EVERETT: It's the Scott Foundation, the Buffett Early Childhood Fund. It's-- I can get you a list--

ERDMAN: OK.

ELIZABETH EVERETT: --that I can provide to that. But those are the top two I can think of right now.

ERDMAN: So how much of this \$100 million would you guys get-- Sixpence?

ELIZABETH EVERETT: Sixpence is-- Sixpence would be different. So the way that the two cash funds are set up right now, the \$40 million and the \$10 million would be provided to the departments to allocate over three years. This \$50 million would go into the endowment, so into the State Department of Education's general operating funds, and they would invest those dollars over a period of time. So they wouldn't get the full \$50 million. The way that the State General Funds operate is that they would only get the interest and dividends off of the investment. So it would be significantly less than the \$50 million.

ERDMAN: I don't see a place where it says over three years. This, this fiscal note says '22-- '23, '24, \$100 million. How is that over three years?

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ELIZABETH EVERETT: The language in there says that it should be expended by 2027, in the bill language. I can't remember what, what line item that's on.

_____ : Page 2, line 16.

ELIZABETH EVERETT: OK. Page 2, line 16.

CLEMENTS: OK.

ERDMAN: Say that again.

ELIZABETH EVERETT: Page 2, line 16 of the bill language which says that the funding for the program shall be expended by 2027.

CLEMENTS: OK.

MIKAYLA FINDLAY: The \$10 million for education and the \$40 million for DHHS by the end of fiscal year '27.

CLEMENTS: All right. She's saying that the \$10 million and the \$40 million are the-- over the three years.

ELIZABETH EVERETT: Correct.

CLEMENTS: The \$50 million is all at once.

MIKAYLA FINDLAY: And then they use the interest.

CLEMENTS: And then the interest is sent out.

ELIZABETH EVERETT: Yeah. So they would--

CLEMENTS: Just the interest because it's an endowment.

ELIZABETH EVERETT: Yes. Yeah. Yeah, they would get significantly less.

CLEMENTS: Very good. Other questions? Seeing none. Thank you.

ELIZABETH EVERETT: OK. Thank you.

CLEMENTS: Are there other proponents? Are there any opponents? Seeing none. Anyone in the neutral capacity? Seeing none. You're welcome to close.

SEAN FLOWERDAY: Thanks for sticking with us.

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CLEMENTS: He waives closing. And on LB319, we have position comments: proponents, 27; opponents, 0; neutral, 2. And that will conclude LB319. And that concludes our hearings for today. Thank you, everyone, for your patience.