

**MURMAN:** Well, welcome to the Education Committee. I'm Senator Dave Murman from Glenvil, Nebraska. I represent the 38th District and I serve as chair of the Education Committee. The public hearing is your opportunity to be part of the legislative process and to express your position on proposed legislation before us. The committee will take up agenda items in the order posted. If you wish to testify on the mic today, please fill out a green testifier sheet. The forms can be found at the entrances to the hearing room. Be sure to print clearly and provide all requested information. If you will testify on more than one agenda item, you will need a new green testifier sheet each time you come forward to speak on the mic. When it is your turn to come forward, please give the testifier sheet and any handouts you might have to the page as you are seated. If you have handouts, we request that you provide 12 copies for distribution. If you do not have 12 copies, please alert the page when you come forward. At the microphone, please begin by stating your name and spelling both your first and last names to ensure we get an accurate-- to be sure we get an accurate record. Otherwise, if you don't wish to test-- testify but we-- you would like to indicate your position on an agenda item, there are yellow sign-in sheets in notebooks at the entrances. The sign-in sheets will be included in the official hearing record. We will begin with the introducer giving an opening statement at the mic, followed by proponents, opponents, and then wanting to speak in a neutral capacity. The introducer will then have an opportunity to give a closing statement if they wish. This afternoon, we'll have the governor testifying, to follow Senator Hughes's introduction of her bill and the first item on the agenda. And then other testifiers will come forward after that. We will be using a-- could I see how many plan on testifying on LB303? Will you raise your hands, please? So we'll be using a 5-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you'll have 1 minute to wrap up your thoughts, and the red light indicates that you have reached the end of your time limit. Questions from the committee may follow off the clock. A few final items to facilitate today's hearing. Please mute your cell phones or any other electronic devices. Verbal outbursts or applause are not permitted. Such behavior may cause you to be asked to leave the hearing room. Know that committee members may need to go-- come and go during the afternoon for other hearings. I will ask the committee members with us today to introduce themselves, starting on my left.

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**HUGHES:** There's nobody on your right. Jana Hughes, District 24, Seward, York, Polk, and a little bit of Butler County.

**MEYER:** Glen Meyer, District 17, Dakota, Thurston, Wayne, and the southern part of Dixon County.

**LONOWSKI:** Dan Lonowski, District 33. I have Adams County, Kearney County, and rural Phelps County.

**MURMAN:** And Senator Conrad, you're just in time.

**CONRAD:** Hey. Little bit late, but right on time. Hi. My name's Danielle Conrad. I represent north Lincoln.

**MURMAN:** And staff with us today, to my immediate right, right, is Jack Spray, the research analyst. And to my far right is Diane Johnson, committee clerk. The pages who serve with us today, I'll have them stand up, introduce themselves, and tell, tell us a little bit about what you're doing.

**RUBY KINZIE:** I'm Ruby Kinzie. I'm a third-year political science major at UNL.

**JESSICA VIHSTADT:** Hi, my name's Jessica. I'm a sophomore at UNL, and I'm studying political science and criminal justice.

**MURMAN:** Thank, thank you very much. We appreciate your help today. With that, we'll begin today's hearing with LB303, Senator Hughes.

**HUGHES:** Thank you. Chairman Murman and fellow Education Committee members. I am Jana Hughes, J-a-n-a H-u-g-h-e-s, and I represent District 24. I'm here today to introduce LB303 on behalf of myself and Governor Pillen. I'd like to thank Governor Pillen and his staff for engaging with me to collaborate in developing LB303. I greatly appreciate Governor Pillen's leadership in making it a priority to increase state aid to our public schools. This is especially significant considering our projected budget shortfall. I'd also like to thank Senators Brandt and Dorn for co-sponsoring LB303. The Tax Equity and Educational Opportunity Scholarship Act, known as TEEOSA, has been our school funding formula since 1990. TEEOSA has been altered and tweaked over time, but its basic formula has remained resources minus needs equals equalization aid. TEEOSA has a lot of levers that can be pulled to produce different outcomes in terms of state aid and ultimately, property tax. Despite all these levers and controls, to use a farming term, TEEOSA has been largely left on auto

steer for decades. I thank Governor Pillen, for his willingness to work with me to start pulling some of the controls within TEEOSA to steer us on a new course. LB303 makes several adjustments to TEEOSA. I will list those and then explain them in more detail. It drops the maximum levy from \$1.05 to \$1.02. LB303 increases state aid to schools by 6%, increasing foundation aid from \$1,500 per student to \$1,590 per student. It also creates a base levy adjustment. The base levy adjustment is set at \$0.30. It does not require schools to set a minimum levy, but if their levy is below 30, it will-- it adjusts their state aid accordingly. LB303 also creates the School Finance Reform Commission, which will examine our school funding formula and provide the Legislature with annual recommendations to continue to increase state aid to schools while securing lower property taxes. Before I describe each of these changes in more detail, I would like to mention how we arrived at the numbers. The governor's budget team identified how much money they estimated we had for this effort, and then we backed into those. So I'll describe in more detail each of the 4 main components. Fundamentally, when we reduce the maximum levy, we drop what is called the local effort rate, which is multiplied by the school district's taxable valuations to determine the district's property tax contribution to fund its own schools. So when we adjust the maximum levy cap down, the net result is to increase state aid. Because many schools have their levies well below the maximum levy, in order to ensure that all schools receive additional state aid, we have to do something else. This brings in the 6% increase in foundation aid. Foundation aid is currently paid by the state to local public schools at the rate of \$1,500 per formula student. LB303 will increase that foundation aid to \$1,590 per student for the upcoming year. The net effect of those 2 changes is to restate-- reset state aid closer to our '23-24 levels. As you are all aware, state aid has been dropping due to rising valuations across the state. The next change is the base levy adjustment. This was part of my bill, LB9, during special session last year. My overarching goal for school funding while I serve in this legislative body is to drive our school levies closer together. We also heard loud and clear this past summer that local control over school funding is a critical component for our schools. This base levy adjustment is designed to do both. As I stated earlier, it does not force a school district to keep their levy above 30. It just adjusts state aid if it drops below that. It gives the school districts some incentive to keep skin in the game and some assurances to school districts that have been nervous about the state completely taking over their finances. This is not the intent and not what this bill does. Local control is fundamental. The final change in

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LB303 is the creation of the School Finance Reform Commission. Governor Pillen asked for this to be included in the bill, and I am frankly elated about this. We've described the fact that TEEOSA has been on auto steer, and LB303 begins to change that. The School Finance Reform Commission sets up a panel of school funding experts that can guide us on annual basis to inform this committee and the Legislature in general, their recommendations on what levers in TEEOSA we need to pull to keep us on track to providing adequate and reliable state aid to our schools while positively impacting our property taxes. I have shared a handout with you, colleagues, on the Education Committee that lists your schools respectively in your district. Some school districts show a small percent increase, but a large number for the actual increase in state aid. And that's because that-- those districts regularly get a lot of state aid. Other school districts show a smaller number, but it registers as a larger percent of increase in state aid, and those were the schools that typically get little, in terms of state aid. Senator Murman has 2 school districts that show zeros for F-- year of '24-25 TEEOSA aid-- Lawrence-Nelson and Sandy Creek were unified district but they split at the beginning of this year, so that's why they show a zero. Only one school, Omaha Nation, is impacted by the base levy adjustment per NDE's model. It shows having a potential levy below \$0.30, which kicks in the base levy adjustment to their state aid. I believe that their current '24-25 general fund levy is at \$0.92. Our tribal schools receive federal impact aid and that assistance is driven, in part, by part of what they levy on a local-- at a local level. So while the base levy is working here as intended, we will need to make sure that it doesn't impact their federal impact aid to our tribal schools. During the fiscal year '24-25, 111 schools have seen a decrease in state aid, and the NDE modeling shows that LB303 will provide just over \$62 million more in state aid to schools. While this doesn't fully compensate for the loss due to rising valuations, it will lessen the impact on property taxpayers next year. Without the increased funds to schools provided by LB303, the entire loss in state aid to these districts will fall to the taxpayer. With the support of the governor's team, we ran dozens of models, and the only way to provide additional funding for all schools impacted by rising valuations and to operate within our budgetary constraints was to drop the maximum levy cap and then also increase the foundation aid. While LB303 doesn't fully restore all districts to their previous state aid levels and doesn't significantly reduce property taxes for everyone, it is a step in the right direction. Nebraska property taxpayers will continue to see relief with the frontloaded property tax credit that shows up on their

statements now, which was a direct result of LB34, championed by Governor Pillen during our summer special session. Without LB303, property taxpayers would be asked to make up for the loss in state aid, or schools would have to reduce educational service, or a combination of both. LB303 increases the state's contribution to schools and works to lessen the impact on property taxpayers. Opponents of this bill are essentially saying they're OK with property taxpayers covering the loss in state aid to our schools. I've received a lot of feedback from many stakeholders about the makeup of the School Finance Reform Commission, and I am open to the idea of making sure we have the right mix of people-- school board members, educator-- educators, school finance experts, administrators, and others on this commission. We also have to make sure that we don't make this commission so str-- so big that it struggles in its mission. And I know my friend, Senator DeBoer, has brought forward the same idea for several years, and we will hear more about those when her bill is heard later today. And I could see us working together to come up with this commission. I've also been asked about whether dropping the maximum levy, what happens if the corresponding aid that gener-- it generates doesn't come through from the legislator or-- Legislature, or worse, if we decide to fix a budget shortfall in the future, we raise the maximum levy and put the burden back on the taxpayer. On the first point, if the Legislature doesn't provide the funds, I am open to amending this bill with a hold harmless provision for our schools. We had such a provision in our LB9 during our special session. This could be amended into the bill. Regarding the current concerns about raising the maximum levy back up, I will defer to Governor Pillen's comments on that. I know he has very strong feelings about going in the other direction, and I can't say it more firmly than he does. I've had others ask me why we aren't dropping valuations for residential and commercial and agricultural land within the TEEOSA formula, as I had previously proposed in LB9 during special session. Changing valuations within TEEOSA is another lever that needs to be considered as we move forward or if things change and we have more dollars to contribute to LB303 this year. Colleagues, we have the opportunity to do positive things in support of our schools and our property tax payers. With LB303, we can start pulling the levers in TEEOSA to increase state aid and reduce the impact of school funding on the property taxpayers. We can establish and utilize the School Finance Reform Commission to provide us real-time annual policy guidance to stay on this path. I would like to thank, thank again, Senators Brandt and Dorn for co-sponsoring this bill. And I'd really like to thank Governor Pillen for making this a priority and

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collaborating with me today to bring this to you. I thank you guys for your time and consideration, and I ask for your support of LB303.

[INAUDIBLE] any questions.

**MURMAN:** Thank you, Senator Hughes. Any questions for Senator Hughes at this time? Senator Conrad.

**CONRAD:** Thank you, Chair Murman. Thank you, Senator Hughes. I really appreciate your opening, and have had a chance to review the legislation. And I know that this is one key step in the process, but I wanted to definitely followup with you about-- and I think you were clear that you would be open-minded about potential-- about the potential of having other representatives on--

**HUGHES:** The commission.

**CONRAD:** --the commission. But we, of course, don't want it to be, be so unwieldy that it's ineffective.

**HUGHES:** Right.

**CONRAD:** But it looks a bit prescriptive to me in its initial draft. And then I also just wanted to reaffirm, is your intent that that commission is advisory only and that we wouldn't be delegating, delegating any sort of policymaking authority, too?

**HUGHES:** That is correct. It will be advisory. And so right now-- right-- it's, it's, it's, it's built up of all superintendents, the Approps [SIC] Committee, rev-- Revenue, Education. And I think we need to just fit in there, potential school board. And like I said, Senator DeBoer's also-- bill has a commission made up of some of the same, some of them different. Hers, I think, is about 21 people. This was around 15. I again, I don't want it to get so unwieldy that it's almost impossible for them to function. But-- and the other piece, they need to have a functioning knowledge of how TEEOSA works. So it can be school board, an educator, but they've got to be familiar with-- maybe it's a test. I don't know-- a TEEOSA test.

**CONRAD:** I think you're right. I think, I think you're right that we want to just have a balance of--

**HUGHES:** Yeah, a balance.

**CONRAD:** --different perspectives, whether it's the taxpayer perspective or the school leadership perspective--

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**HUGHES:** And size of schools and rural, urban, all the things.

**CONRAD:** Yeah, yeah. That's-- yeah. No, that's a great point. Well, I look forward to hearing more about the bill in committee today. I know that we've had a chance to talk and work together on various TEEOSA bills during our time in the Legislature. And what I like about all of these, before we get too deep into the weeds on it, which I know that matters, but I just-- I think there's so much common ground here. We recognize that our public schools are a generational point of pride. We know that when the state does its part to send resources to our great public schools, it helps to ensure teachers and students can thrive, and it helps reduce the burden on local property taxpayers. So the overarching policy goal that you've identified and been working with Governor Pillen on, I think is worthy and important and should generate a lot of really robust collaboration.

**HUGHES:** Very good. Thank you.

**MURMAN:** Thank you. Any other questions for Senator Hughes? I have one. Could you give me a little bit of your reasoning and maybe there's someone behind you that can answer it better, but lowering the LER rather than lowering the taxable valuations. [INAUDIBLE] get into that?

**HUGHES:** Like just outside-- like within TEEOSA or-- instead of and, and not doing the, the commercial and residential on the ag in TEEOSA. So--

**MURMAN:** Yeah, commercial and residential of ag, right.

**HUGHES:** So we-- that was-- so this was the collaboration. So my, my office was working on a school funding bill. And that bill was dropping the max levy cap, putting in the floor, and then also changing, within TEEOSA, the valuations drop in residential and commercial, and then also dropping ag. Then we met with the governor's team and they were working on a school funding bill, and it was dropping the, the top levy cap. And then they were looking at foundation aid not changing valuations in TEEOSA, and then they had the commission. So, we combined these bills up. And, and honestly, Senator Murman, bottom line, it was, it was money. And so we had the \$120-ish million that we could work with. And we had to look at it of-- it's kind of the whole all boats will rise. And so, what, what would affect everybody somewhat, because when you just drop that top levy cap, that's only going to affect the, the schools that are

bumping up to that, as you know. And so we decided with the foundation-- increase in foundation, that affected pretty much everybody else somewhat. And if we can get our hands on more money, it is potential that we will then go in and change the valuations in the formula. I personally like changing valuations in the formula. My goal here, as I stated, was getting levies closer together. And also I would like to see more equalization aid, and I would state for the record that most levies are really determined by the tax base of that school district and how it's drawn. And if you are fortunate enough to be in a school district that has a very large tax base and maybe not as many students, versus the same size beside you, same tax base, but a lot of students, they are going to be taxed at a much higher levy than, than the one that has the larger tax base and less students. And so I would argue maybe that district doesn't need help as much, in state funding help. So that's the equalization part. So I would like to see focused in on the, the-- about changing valuations in. But I'm hoping-- again, this is a little bite at the apple, and I hope we keep making chomps at it as we go forward, so.

**MURMAN:** Thank you. Any other questions for Senator Hughes? OK. Thank you very much.

**HUGHES:** Thank you, guys. Appreciate it.

**MURMAN:** And we'll ask for proponents, starting with Governor Pillen. Welcome, Governor.

**JIM PILLEN:** Good afternoon, Chairman Murman and members of the Education Committee. My name's Jim Pillen, J-i-m P-i-l-l-e-n. I have the extraordinary privilege of serve-- being-- serving as the 41st Governor of Nebraska. Before I get started, I never want to be remiss to thank everybody that serves in the Unicameral, how hard everybody works. I had to become governor to fully appreciate just what an extraordinary process it is, so. A couple are figuring that out right now, but it is incredible, and how, how hard everybody works for the people of Nebraska. I'm very grateful for that. So I'm here to testify in support of LB303. I'm grateful to collaborate with Senator Hughes on this. We're partnering in presenting this important legislation that will provide more funding, more funding to our K-12 schools while relieving the burden on property taxpayers. This isn't in my testimony, but I think it's worth just reliving briefly what we did during our transition over 2 years ago, where we put together maybe, maybe 35 people around the table. I think Andy was a part of that team. And that's how the Education Future Fund came about. That's how



the 3% conversation about education growth for investing in our kids came about, and part of the reason, my belief in the Blue Ribbon Commission, why that's so important. Because these things weren't Jim Pillen's ideas. This all came from a wide group of stakeholders in Nebraska. I say it over and over and over again, as your governor, I'm focused on 4 things: kids, taxes, agriculture, values. Kids lead the way. And I think that one thing that's really, really important here is, as your governor, the privilege of putting forth a budget and partnering with the Unicameral with that budget, the highest priority is educating our kids. Our-- we will find the money, no matter what the set of circumstances are, to make sure we educate our children. The other thing that I think is really, really important in this conversation is we increased funding the first 2 sessions ago to K-12 education by \$325 million plus or minus-- from-- went from \$1 billion to \$1.35 billion. And this proposal will increase that. I fundamentally am a believer-- great big picture-- that we, the state of Nebraska, should fund more K-12 education, not run it. Fund K-12 education, not run it. That's, that's the superintendents' and the Board of Education's responsibility. I think the other thing that's important is for us to better understand the situation that we find ourselves in now, in regard to property taxes. I think it's really important we take a good, a good look back, and at my vintage, 25 years is a good look back. And I think that's what's really fascinating is if you look at the great big picture in 2000. In 2000, it took \$1 billion for pro-- took \$1 billion for our school district taxes. And today, it's a little over \$3 billion in '25, so from \$1 billion to \$3 billion. The other thing that I find fascinating that our team researched, my father-in-law was a school superintendent, his last 20-some years in Seward. And I think he retired in '93, '94. At any rate, the school districts that were equalized in the origin-- origination in 2000, 10 years after TEEOSA, it was 224, and it has dropped below 60 this past year. And I think the other thing about property taxes that's important is for us to recognize what happened here in the state of Nebraska. I tie it back to renewable fuels [INAUDIBLE] 07. And just for a brief, really quick history, when renewable fuels happened, we had 24 ethanol plants. We were the second largest ethanol producer in the United States. We started turning marginal land into corn production. Corn went from \$1.80 to \$4, to \$6, to \$8. We took land that was marginal and couldn't raise a mama cow on 20 acres, started irrigating it, raising 220 bushel corn. That land went from very low value to \$10,000 and \$12,000 an acre.

**MURMAN:** We'll, we'll, we'll ask you to please continue.

**JIM PILLEN:** OK. Thank you. My point simply would be that that created, that created extraordinary-- no place in the world that had the benefits that created a valuation rise in farmland. And then now, in the last 6, 8 years, that valuation took over on our, on our homeowners. So the state aid has jumped from around \$550 million to a little over \$1 billion. And then we increased it to \$1.350 billion now. So while we've watched the state aid to schools grow by 107%, we've seen a complete shift in how many schools receive equalization aid. This is the opposite-- total opposite of what the original TEEOSA formula was intended to solve. I think we all agree on that. So we as a state have been weighing what the correct portion of the state versus local aid to schools should be. While that debate is playing out, I think the citizens of Nebraska made it crystal clear that our property taxes are too high. So if-- us work together to find a proper balance of state and local funding of our school districts. Nebraska's students and taxpayers, superintendents, boards of educations, they need stability and funding. School districts often live under an uncertain budget circumstances. That's not the way to educate and have a focus on our kids. It's difficult to project the amount of dollars that will come from TEEOSA formula as valuations keep rising. Providing stability of the TEEOSA formula is necessary and will require a constant review and consideration. And we believe we must start managing the formula, not allowing the formula to manage us, if you will. Cuts to state aid due to valuation increases have hit property taxpayers hard, continuing and going on this past year, as well. And it's just not-- it's unfair to everybody involved. So I believe this is really important legislation that needs a lot of a-- deserves a lot of attention from the Legislature. And I thank you for your thoughtful consideration and happy to-- be happy to take any questions that anybody on the committee would have of me.

**MURMAN:** Thank you, Governor. Any questions for the governor at this time? Senator Conrad.

**CONRAD:** Thank you, Chair Murman. Thank you, Governor Pillen, Good to see you.

**JIM PILLEN:** Good to see you.

**CONRAD:** Welcome back to the Education Committee. I think the last time you were here recently, perhaps you set a new land-speed record for getting your cell phone proposal out of the committee with unanimous support. So, this one might take a little bit longer to work on. But the one thing in addition to the, I think, general consensus comments

that I tried to express to Senator Hughes during her opening, I think the policy goal is incredibly worthy. And I think that there is a, a wide opportunity for collaboration here to figure out how to keep our public schools great and reduce pressure on property taxpayers. I had the chance to read the report that your office put out, I think it was in December of last year, perhaps, leading up to session, just kind of detailing the volatility in school funding and what that means for schools and property taxpayers. And I thought it was well done and I appreciated that, so thank you for teeing that up. And at the conclusion of the report, I was thinking, OK, I agree with this information, I understand it, but then where do we go from here? And so this is your vision for, for where we go from there. Is that a fair assessment?

**JIM PILLEN:** It's, it's a, it's a piece of it.

**CONRAD:** It's a piece of it.

**JIM PILLEN:** It's a piece of it, right. It's a piece that I think that we can all agree on fundamentally. There might be a couple T's to cross and I's to dot. Might say-- you know, I just visited with, with Wendy before and didn't realize she'd had a proposal for 7 years. You know, whatever we need to do to-- but point is we, we need to have a group of people that are committed to K-12 education, that are in K-12 education, stakeholders, taxpayers, to be, be the gatekeeper of it, if you will. But yeah, this, this would be another key piece of having the state do more funding of K-12 education.

**CONRAD:** Great. Thank you. And you know, I know the other component, in addition to overall support and making sure that we have some equity in the resources going to our rural schools and setting up that Education Future Fund to guard against potential downturns in the future to make sure our kids don't suffer, the other piece that we were so excited to work together with you on was really trying to boost resources for kids with special learning needs.

**JIM PILLEN:** Yeah.

**CONRAD:** And I, again, want to thank you and your team for really prioritizing those issues and continuing that work.

**JIM PILLEN:** Thank you. No, it's one of the rewarding things how many people will stop you and say-- because I don't think we fully understood how underfunded we were with special needs, special

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education. Nebraskans take notice of what we do here and they are grateful for that.

**CONRAD:** Thank you. Thank you.

**MURMAN:** Any other questions for the governor? I'd just like to say I really appreciate your emphasis on kids, funding education for all kids in Nebraska, and at the same time realizing that our property tax system is completely out of balance. And would you agree to that, Governor?

**JIM PILLEN:** I, I talk about it all the time, and you're getting-- but, you know, I think the key is we all have resolves and we got to stick with it. And, you know, kids are our future. I mean, we all agree our kids are our future. We can't give up on one kid. And, and kids have special needs, kids need more lifting up across the way, and we can do both. And I've been asked by kids when I'm giving talks, talking about dreams. And one little, little girl one day said, well, Governor, what's your, what's your dream as Governor? It really hit me, and I said, well, you know, my dream is really simple. If there's any place in the world that can end poverty, we can do it here in Nebraska, because, because of the people we are in Nebraska. We can solve the problems. And it-- it's exciting to be a part of it and work together to do that.

**MURMAN:** Thank you. I really appreciate you being in the Education Committee. Thank you very much.

**JIM PILLEN:** Yeah, thank you. It's a big deal. Thanks for all your work. Thank you.

**MURMAN:** Other proponents for LB303.

**TIM ROYERS:** Good afternoon, Chair Murman, members of the Education Committee. For the record, my name is Tim, T-i-m Royers, R-o-y-e-r-s. I am the president of the Nebraska State Education Association, and I'm here on behalf of our members to speak in support of LB303. I want to start by thanking Governor Pilleen and Senator Hughes for introducing what we genuinely consider to be the best school funding bill to come from the Governor's Office in at least a decade. Historically, our organization has generally stayed neutral on bills related to TEEOSA because they often impact local associations differently. However, there are 2 components of LB303 that we support, and we believe it's important to make our support known at this

hearing today. First, LB303's adjustments, the foundation aid you heard from Senator Hughes, local effort rate, all of those pieces help ensure that all districts come away winners from this bill, while continuing to progress in our common goal of balancing school funding in this state so we are less property tax reliant. The willingness to invest even more in public funding at a time when there is also concern about a fiscal deficit demonstrates a commitment to upholding our constitutional obligations to provide public education, no matter the circumstances. And again, we're very grateful for the governor and Senator Hughes for taking that approach. Second, we are excited to see the bill include provisions to establish a School Finance Reform Commission. For years now, we have expressed our anxiety over attempts to update TEEOSA within the confines of just one legislative session. This is a significant issue that requires several years to study and analyze, and critically come to consensus on how we can move forward the plan that is right for our state, school districts, and most importantly, our students. By providing a formal entity to complete that task, the Legislature will be better equipped to take on this issue in future sessions. Now, that being said, we do have some recommended changes. First, we would like to point out that as written, there are legal issues with the composition of the committee. Legally, we cannot have the chairs of Education and Revenue serve as voting members of an entity that falls under the executive branch. We recommend that the chairs be nonvoting members to satisfy legal obligations, while still allowing them to participate and contribute in the group. Second, while I have deep respect for the superintendents with whom I have had the pleasure of working with over the years, they also have a very specific lens through which they view education policy. I would encourage this committee to modify the proposed composition to include the school board perspective, the perspective of chief financial officers, and the perspective of frontline educators, as well. We would also recommend that the committee composition be determined by more than just the governor. Precedent has already been established through other advisory groups to allow leading organizations such as ours to bring names forward to serve on committees, and we would ask that a similar structure be considered here, as well. We know who can bring the best blend of grounded classroom experience and knowledge of TEEOSA to make sure that when changes are being considered, how those changes would impact our kids remains at the forefront of the conversation. While we hope this committee takes those recommend-- our recommended changes into consideration, I want to close by reiterating that we are here in support because the underlying intent of the bill is strong. And while

no bill is perfect, we cannot let that be the enemy of good public policy. As we have reviewed LB303 and see that it is a rising tide that will lift all boats, and critically, it puts structures in place to ensure we can continue to meaningfully modify our-- how we fund our schools, we want to make sure to express our support. Thank you. And I'm happy to answer any questions.

**MURMAN:** Thank you. Any questions for Mr. Royers? If not, thank you for your testimony.

**TIM ROYERS:** Thank you very much.

**MURMAN:** Other proponents.

**ANDY RIKLI:** Happy Monday, everyone. Greetings from Sarpy County. My name is Andy Rikli. I'm the superintendent of the Papillion La Vista Community Schools. First name is A-n-d-y, last name, R-i-k-l-i. Papillion La Vista is the fourth largest public school district in the state of Nebraska, with approximately 12,000 students. Senator Murman, Senator Hughes, Governor Pillen, we want to thank you for bringing this critical issue before the Education Committee and the Unicameral. It is certainly one that is worthy of consideration. My purpose here today is to provide support for LB303 and the 3 broad areas that Senator Hughes and the governor have already outlined. State funding for K-12 schools and higher education is consistently the largest single item in the state budget. And as such, it deserves further consideration. Each of the 3 components in LB303, from our vantage point, addresses a different need. For example, by dropping the maximum levy, as the governor explained, from \$1.05 to \$1.02, we can provide substantive tax relief for our property tax owners. We know this is a priority for the governor. This is a priority for the state of Nebraska. The second component of LB303, which would increase the amount of foundation aid from \$1,500 per student to \$1,590, likewise addresses an urgent need. The number of Nebraska school districts receiving TEEOSA aid, as the governor indicated, has dropped in recent years, due in no small part to escalating property values. According to the governor's own school property tax collection report from 2024, only 58 out of 244 Nebraska public schools received equalization aid during the most recent fiscal year. While most of Nebraska's largest system, such as OPS, Lincoln, Millard, and the Papillion La Vista Community Schools have long received TEEOSA equalization aid, the fact that so many smaller rural districts often do not receive equalization aid has proven to be problematic. LB303's emphasis on increasing the amount of foundation aid demonstrates a clear commitment to fund all

public schools and to support all of our children. Finally, the formation of a School Finance Reform Commission addresses a clear and practical need. The TEEOSA state formula is admittedly a cumbersome mechanism. It is perhaps unrealistic to assume every Nebraska state senator can become an expert on TEEOSA. This is particularly true with term limits, where senators are called upon to learn a vast and complex catalog of issues in a very short window of time. By forming a standing committee of elected officials, policymakers, and educational practitioners, Nebraska will be better positioned to monitor the TEEOSA formula and provide sound advice to the Unicameral and the Governor's Office as changes need to be made. Lastly, and this is very important, we want to thank Governor Pillen for his commitment to education. Through increased special education dollars and per pupil foundation aid, this governor has shown a tangible commitment to increase funding for all, not some, all of Nebraska's public schools. The governor has likewise made it a priority to meet with our public education leaders on a consistent basis. After having served as a Class A superintendent for 12 years and seeing administrations come and go, I can assure you this has not always been the case. This governor is willing and able and very open to meeting with us. In closing, we believe that while LB303 is not perfect, it certainly addresses the interests of both reducing the property tax burden while supporting the outstanding public schools that Nebraska has long enjoyed. Thank you for your consideration and we would gladly answer any questions you may have.

**MURMAN:** Thank you. Any questions for Mr. Rikli? If not, thanks for your testimony.

**ANDY RIKLI:** OK. Thank you, Senators.

**MURMAN:** Other proponents for LB303? Good afternoon.

**CHAD MEISGEIER:** Good afternoon. Senator Murman, members of the Education Committee, my name is Chad, C-h-a-d, Meisgeier, M-e-i-s-g-e-i-e-r, and I am the chief financial officer for Millard Public Schools. On behalf of Millard Public Schools and the Nebraska Council of School Administrators, I am here today in support of LB303. LB303 has multiple positive elements that I'd like to highlight. First, it was developed after meaningful collaboration between school leaders and representatives from the Governor's Office and Senator Hughes. We want to thank everyone involved in those discussions. Second, even in a time of potential budget shortfalls, LB303 looks to continue the progress from prior years, of lessening reliance on

property taxes. That is greatly appreciated. Third, you've been hearing for years that TEEOSA is complicated. It's complicated for a reason. There are 245 school districts in Nebraska, each with unique needs and local context that the formula attempts to address. This bill would create a commission to take the time to explore those complexities and recommend ongoing adjustments that may improve the formula to help it to adapt to consistently changing variables. The combination of policymakers and school official-- officials on this committee maximizes the chances that it will be successful in allowing us collectively to manage the formula-- as said before, manage the formula instead of it managing us. Fourth, LB303 helps with the fact that rising property valuations have inadvertently caused a shift of the tax burden from the state to local property taxpayers in equalized districts under TEEOSA. For example, in the first year of increased funding-- state funding, in 2023-24, Millard Public Schools was able to use that additional funding for substantial property tax relief. In '24-25, rising valuations caused a drop in state aid for Millard Public Schools of \$11 million, which shifted that burden back to the local taxpayers. By adjusting the local effort rate, the bill pulls on a lever that helps to counteract this. Adding in the adjustment for foundation aid also ensures that every school district gets something to help with property tax relief. You've heard this said before in testimony, all boats rise under this proposal. As we model it, we estimate that Millard Public Schools is more in the middle of the pack in terms of potential winners under LB303. We're not one of the big winners, not one of the small winners. Even so, this is solid public policy that we support. As a technical cleanup, we would humbly recommend that Section 1 of LB303 amend the local effort rate found in Nebraska Revised Statute Section 79-1015.01, as opposed to levy caps in Nebraska Revised Statute 77-3442. I submit that with the new total revenue caps in place, there is no need to adjust the \$1.05 maximum levy, and doing so may all-- only cause a sense of uncertainty and worry regarding this bill. Thank you for the opportunity to testify today in support of LB303, and I'd be happy to answer any questions.

**MURMAN:** Thank you. Any questions for Mr. Meisgeier? If not, appreciate the testimony.

**JOSEPHINE LITWINOWICZ:** [INAUDIBLE] that grass looks green already. [INAUDIBLE] just, you know, disabled-- some accommodations-- and if you want to reset, just to set a precedent.[INAUDIBLE]. Is that OK? Yeah, OK. Thank you. Not-- all right. My-- hi. Hello, Senator-- Chairman Murman and members of the committee. How's it going? Although



I knew dangerously low-- little about, you know-- it's the financial situation and property taxes. It sounded good. I, I know enough to be dangerous. And it sounded like, listening to Senator Conrad interact that it's probably workable. And so what I want to focus on and-- is money for, for-- especially for kids, disabled kids, particularly in rural areas, to have the resources to interact in, in, in an environment that's inclusive. And, you know, word selection-- doesn't matter. But-- and so I, I think it's in everywhere. But I know there's not enough money. There's not enough money for anything. But I'll keep preaching for the things I like. And I'm not going to despoil this conversation with rambling on about stuff-- other stuff we should be concerned about. This is particularly important. And so I'm just going to roll the dice and hope they don't land on [INAUDIBLE] hat-- in support of this bill. Anyway, kids are important, all of them, as the governor said. And that's the most important. And so, I'm just-- maybe I can-- he's not here. I was going to say, maybe we can work this out. OK. Thanks a lot. I'm very passionate about this. And so, it's not just coming up-- you know, even though I speak a lot, I don't do it, you know, glibly or-- anyway. So that, that's the, that's the rest of it. And I, I, I will take questions if they want to be offered.

**MURMAN:** Thank you. Any questions? If not, appreciate the testimony.

**JOSEPHINE LITWINOWICZ:** I'm counting on you.

**CONRAD:** Thanks.

**MURMAN:** Other proponents for LB303? Good afternoon.

**LIZ STANDISH:** Good afternoon. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h, and I serve as the associate superintendent for business affairs for Lincoln Public Schools. And I offer this testimony as a proponent of LB303. We really wanted to focus on some of the positive concepts that we see in LB303, and there's really 5 to highlight. One is that the state commitment uses existing structures within TEEOSA. We've often seen proposals that were overlay provisions, trying to move money in different directions. So we appreciate the work of the Governor's Office and Senator Hughes really focusing on the existing structure of TEEOSA. We also greatly appreciate that this is an incremental step. And so as much as we might want to make major change, for those of us that work in school finance day to day, there's a lot of moving parts and you get really nervous about unintended consequences really quickly. So the fact that this is a very incremental approach, both with the budget constraints

for the state but also from a finance perspective, we can take this step. And then we'd have time to evaluate and see where that takes us before we take another step. This proposal also represents input from schools. That is greatly appreciated, very much on the governor's behalf of bringing school people to the table to offer input. We like the idea that we're looking at very low levies across the state and looking at how we can move levies a little bit closer together, and the commitment to continuously studying the formula and putting a structure in place to do that. So conceptually, those are some of the concepts that are very strong in this bill. We knew you'd already have a lot of details about the moving parts, and I'd be happy to answer any questions you may have.

**MURMAN:** Thank you. Any questions for Ms. Standish? If not, I've, I've got one. And, and I know your main responsibility is Lincoln Public Schools, but I'm-- of course, increasing foundation aid all across for every student does bring more funding to every school in the state. Lowering the LER, do you, do you know about how many schools that, that actually increases the foundation aid even more?

**LIZ STANDISH:** I don't. We could look at the models and see, and I'm sure a group of us could come up with an answer for you. I wouldn't want to necessarily be representing all school districts across the state. But it's, it's tricky, because every chance you take that LER out, you would be moving school districts to being what's called nonequalized, as you know, so they would bounce into what's called foundation aid-funded. But we have a great team of people that are connected through the Greater Nebraska Schools Association, and I know there's great finance people all across the state. I think we'd be able to get an answer for you.

**MURMAN:** OK. Appreciate it.

**LIZ STANDISH:** So let me work with some other people, so it's not just my voice, but I think we can figure that out.

**MURMAN:** Yep. Thank you. Any other questions? If not, thank you very much.

**LIZ STANDISH:** Thank you.

**KYLE FAIRBAIRN:** Chairman Murman, members of the Education Committee. My name's Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n, and I represent the Greater Nebraska Schools Association, GNSA. Our organization

represents 25 of the largest school districts in the state, and the population in those 25 school districts takes up about 70% of all the kids in public schools. Today, I'm also representing STANCE and the Educational Service Units Coordinating Council. And I come to you today in support of LB303 and would like to thank Senator Hughes for introducing the bill and thank Governor Pillen for his continued support of public schools. This bill would, would further the plan that Governor Pillen has talked about in recent years, about lowering the amount of property taxes paid to support our public schools and, and increase the state obligation to help pay for school costs. The bill would move local levies in the right direction while pulling the lowest leveraging districts and the heaviest districts, leveraging-wise, closer together. The TEEOSA formula for funding our schools has been in place for a number of years, and this bill would also put a good group together to form a commission to look at the formula. The formula works as it should, but the dramatic increases in property values has thrown the formula out of whack. A commission to study what other states do and take a look at our formula is what's needed. The commission in this bill and the bill supported by Senator DeBoer both put schools heavily involved in this process, and I believe that is key to make sure that schools are involved in the discussion process. There is one piece of this bill we would like to amend. Lowering the maximum levy with the current levy revenue lids is really not needed. The state over the last few years has met their obligation to school funding. But prior to that-- prior to about 2019, the, the formula was tweaked every year to make sure that it balanced with what the state budget looked like. So there were reductions every year in this-- in the TEEOSA formula, up until about 2019. So there is a concern there. And Senator Hughes mentioned in her statements, we would love to see the schools have the ability to make sure that if the state does renege on their obligations, the, the local school districts have the ability to raise those-- raise the taxes they need to support children. Be happy to answer any questions.

**MURMAN:** Thank you. Any questions for Mr. Fairbairn?

**KYLE FAIRBAIRN:** Thank you.

**MURMAN:** Yep. Thank you. Good afternoon.

**COLBY COASH:** Good afternoon. Thanks, Chairman Murman and members of the Education Committee. My name is Colby Coash, C-o-l-b-y C-o-a-s-h, and I am here today representing the Nebraska Association of School Boards. So on the education spectrum, my members are the ones that are

also elected and represent the taxpayer, as well. From a technical aspect, we really appreciate what's in this bill. But more than that, what we appreciate is the approach. Testifiers before me have, have touched on that, but it really sets a foundation. And at the end of the day, this bill is doing what our organization and others have been asking for, which is an increased state investment into K-12. And so as our members looked at this particular bill, we found that it was forward-thinking, thoughtful, collaborative, as it relates to the folks who came together to put this together, and it provides some predictability, which we heard the governor talked about. And it's also scalable, right? If revenues change one way or the other, I think this is an easily scalable bill. But more than that, and in comparison to what we saw happen in the special session and in previous sessions, we think this is a doable piece of legislation and it keeps local control central, which is really important to our members. So, you know, it puts in a process for some sustainable investment. In past years, past iterations of bills that have tried to do something, there's always been a piece stuck in a bill that really pulls off support, kind of a poison pill, if you will. And that's not the case here. And so if this bill can move forward structurally as it is, we see great, great promise with that. With regard to the commission, and I know Senator Hughes mentioned this in her opening, we, we would humbly request and suggest that, that there be some representative of the taxpayer on this commission. And we think school boards fit that bill. Certainly, they should be members or participants who can speak well and understand the nuances of this formula, and I can tell you that there are school board members out there that do that. Senator Hughes was one of them before she came here. But there are more, and they are in different parts of the state representing different-sized school districts. And we stand ready to help this commission, this committee, as this bill moves forward. I'll leave it at that. Thank you.

**MURMAN:** Thank you. Any questions for Mr. Coash? If not, thank you very much.

**CONNIE KNOCHE:** Good afternoon, Senator Murman and members of the Education Committee. My name is Connie Knoche and I'm representing Open Sky Policy Institute. I'm here to testify in support of LB303 because it would increase the state's commitment to K-12 funding, which is the most sustainable mechanism for decreasing our schools reliance on property taxes. We also support the creation of the School Finance Reform Commission to study the state aid formula. We strongly believe that the path to meaningful and sustainable property tax

reform will come through a thorough and comprehensive review of the way we fund public education in our state. The issues to be evaluated are complex and difficult to address in the context of this legislative session, and any-- or any legislative session. And any real change will require significant expertise brought to bear through an open and transparent process. Nebraskans deeply value our public education system. We know that a strong K-12 education system expands the economic opportunities for all, and is foundational to the strength of our economy today and into the future. We believe that until the state decides to take a different approach to funding our schools, LB303 is a good first step toward addressing the challenging relationship between state aid and local property taxes in Nebraska. We urge the committee to also look at an outcomes-based funding formula that centers on the needs of students as the best path forward to a sustainable K-12 education financed for Nebraska taxpayers. Thank you, and I'm happy to answer any questions.

**MURMAN:** Thank you. Any questions for Ms. Knoche? If not, thank you for your testimony. Other proponents. Good afternoon.

**DAVE WELSCH:** Good afternoon. Yes, good afternoon, Senators, Senator Murman and, and the others. Especially, welcome to the 2 new senators over here on the right. Thank you for serving Nebraska. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I am a farmer and currently serve as president of the Milford Public Schools Board of Education. I have served as a school board member for over 33 years. I'm also testifying on behalf of NRCSA, the Nebraska Rural Community Schools Association. I'm testifying in support of LB303, as well as providing some suggested changes. And I must say I agree with many of the testifiers that have come before me, and I've worked with many of them, and they have made some great points on this bill. First of all, thank you to Senator Hughes for introducing this bill on behalf of the governor. And thank you to Governor Pillen for your willingness to communicate with education groups in regards to the TEEOSA formula. By working together to change how our schools are funded, we'll be able to provide property tax relief all across the state. I've been working intensively the past 10 years with many senators, education, and farm groups to come up with a solution to education funding and property tax relief. I am probably the only school board member in the state that is able to model changes to the TEEOSA formula before bills are introduced and then modeled by NDE. My modeling has been found to be very accurate. I'm not saying that to boast, I'm saying that, that I've been around a long time and I, and I know how TEEOSA works. This-- what I have learned from this experience is that our 2 main

goals that changes to TEEOSA should try to accomplish. One is increasing the number of equalized schools, and that's been mentioned several times here. Number 2, bring school fund levies down and closer together. That's also been mentioned. But there are different levers that you pull that impact those 2 goals either positively or negatively. As changes to TEEOSA are introduced to the Legislature, some of these changes move TEEOSA closer and some farther away. When schools are equalized, it reduces the amount of property taxes needed to support the school. When done correctly, those taxes are brought down and closer together. When all schools are equalized, which it's been a while since we've done that, then all schools can participate in the need side of the formula. And if you turn down a couple of pages, you'll see the, the chart that shows the formula. Hopefully, you're all becoming very familiar with that as part of the Education Committee. There's a lot of pieces on the needs side of the formula up there. Currently, there are only 60, roughly 60 out of 244 schools that are equalized. This means 184 schools are not receiving funding for poverty, limited English language, transportation, and several of the other components on the needs side of the formula. As recently as 2009, there were 206 equalized schools in our state. Currently, any changes to the needs side of the formula would only impact 25% of our schools. LB303 lowers the maximum levy from \$1.05 to \$1.02. This also lowers the local effort rate from \$1 to \$0.97. This lowers the yield from local effort rate on the resources side of the formula and therefore, increases equalization aid. This-- excuse me-- this small change moves TEEOSA in the right direction. LB303 increases foundation aid from \$1,500 per student to \$1,590. 2 years ago, foundation aid began. It caused 22 schools to no, no longer be equalized, going in the wrong direction. Not only does foundation aid reduce the number of equalized schools, it also creates a wider range of levies across the state, pushes levies further apart. The reason for this is because equalized schools with high levies see no net increase in state aid when they receive foundation aid. Their foundation aid goes up while their equalization aid goes down, dollar for dollar. This change moves TEEOSA in the wrong direction. The better approach would be to take all of the foundation aid and use it to lower adjusted valuations inside the TEEOSA formula, which has been mentioned a little bit today. This will have the biggest impact to lower levies and bring them closer together. Please ask if it-- if you would like to learn more about this approach. And there's another deal in there, later you can look at, too. LB303 creates a \$0.30 base levy adjustment, very much needed. Over the past 10 years, when a change to TEEOSA is introduced, a lot of senators balked at it because some of the schools

with-- that already have low levies are pushed even lower. And it's like, hey, they're getting too-- they already have a low levy. Why are we pushing them even lower? The base levy adjustment will protect against that, so that's a good change to TEEOSA. Finally, LB303 creates the School Finance Reform Commission. In theory, this is a good idea. TEEOSA needs to be reviewed every school year and adjustments need to be made. If this commission would have been in place from 2008 to 2016, when ag land across the state tripled in value, maybe we wouldn't be in a position where we need to make more drastic changes to TEEOSA at this point. But the makeup of the commission is key, as has, has been mentioned. You need knowledgeable people about TEEOSA and-- when they look at making proposed changes. So this bill makes some good steps in the right direction. I do have a handout in here called the Simple Plan, which, which really is the target we should be shooting for long term. This is-- LB303 steps in the right direction, but if you don't have a target to aim at, you're going to miss it every time. And taking small steps, sometimes you can get off track, so.

**MURMAN:** Thank you. Any questions for Mr. Welsch? If not, thank you.

**DAVE WELSCH:** Thank you.

**MURMAN:** Other proponents for LB303? Good afternoon.

**BRUCE RIEKER:** Good afternoon. Senator Murman, members of the Education Committee. My name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r, and I work for Farm Bureau as the senior director of state legislative affairs. I'm not only here on behalf of Farm Bureau, but the Ag Leaders Group, a working group which consists of the Cattlemen, Corn Growers, Farm Bureau, Pork Producers, Sorghum Producers, Soybean Association, State Dairy Association, Wheat Growers Association, and Renewable Fuels. Nebraska. There's not a lot more that I can say about the virtues and the good things of this bill. I appreciate some of the comments about the fact that it is an incremental step. Appreciate the comments about it is scalable, and that means a lot to us that it is moving some of the parts of TEEOSA that as funds become available, hopefully we can invest more in this to help drive down the state's overreliance on property taxes. The-- I appreciate Mr. Coash's comments about the School Finance Reform Commission. It would be nice to have a taxpayer perspective or two on that commission, as well. The last thing I'll share with you is that on the, the second page of my testimony, just want to remind you as to where we are financially, or with the property tax issue. The fiscal note estimates that LB303 will

cost \$61 million in the first year and \$51 million in the second. During those 2 years, property taxes levied will increase approximately \$600 million. Even if 100% of this new money, this money that's called for in LB303 goes to property tax relief, our state's net property tax burden will still increase by somewhere close to \$475 million, or 9%. So there's a lot more work that needs to be done. And we hope that you as a committee and the Legislature recognize that this is an incremental step, but there's a lot more that we need to do to reduce the state's overreliance on property taxes. And with that--

**MURMAN:** Thank you.

**BRUCE RIEKER:** --I'll take any questions.

**MURMAN:** Any questions for Mr. Rieker? If not, thank you very much.

**BRUCE RIEKER:** You bet. You're welcome. Thank you.

**JOHN HANSEN:** Thank you. Mr. Chairman, good afternoon, members of the committee. For the record, my name is John Hansen J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union, the second oldest, second largest general farm organization in the state. I'm their president and also their lobbyist, and we are in support of this bill. It is a incremental step in the right direction. It goes in a direction that we have generally advocated for, for a very long time. I've been president of Nebraska Farmers Union since 1990, so I was here when LB1059 was passed. And we also sounded the alarm when the commission that was tied to that was disbanded several years after it was passed. And we said, we'll rue the day that happens. Well, we have. We have seen, as we've heard before, from 2008-2016, ag land tripled. So all of the things that we started out trying to do in LB1059, we're-- we were not able to continue down that road because the adjustments that needed to be made to accommodate the fact that ag land was skyrocketing in value, there was no mechanism to make that adjustment. So we're very much in support of some sort of a mechanism similar to the School Finance Reform Commission. But if you think about going down the road in your car or your pickup, and you're, you're a bit out of alignment and you have a pull to the, to the right and the road is straight, if you're-- don't have some mechanism to put your hand on the wheel, you are going to end up in the ditch. And that pull is eventually going to put you there. And so in our view, that is what has happened. And so we have needed to create an adjustment mechanism to make sure that what it is that we want to do in the state aid to education formula gets done. And, and secondly, there's a



long-standing critique that we have had, which is that the formula recognizes valuation as wealth. And so for those of us who, who are involved in agriculture and you're, in my case, taking phone calls from folks that are losing \$150 to \$200 an acre, they're having a hard time understanding that they're wealthy when they're struggling to, to pay their bills, when they're struggling to get their loans restructured. So we're now at the place where we're restructuring short-term debt to long-term debt. And we still don't have a cash flow that works in, in cases. We're going to lose farmers. So our property tax intensive system has always said that when we look at all that ag land valuation, that that's wealth. Well-- and unfortunately, those of us who have been involved in agriculture for a long time know that the only way that we're able to actually realize the benefits of that wealth in a lot of cases, is to die, which seems like a fairly steep price to pay in order to get rich. So the formula itself, I think, needs some adjustments. And the, the issue that I just raised is one that we've raised since the very beginning. But we were coming off of the 1980s, we were coming off of an ag crisis. We were coming off several major statewide efforts to try to get property tax relief. So LB1059 started out doing a lot of the right things, which was to, to try to get more uniformity across the, the way, relative to levies. And it was also about bringing out an additional amount of income and sales tax to the table in order to provide property tax relief. And so we have struggled, trying to realize the goals of LB1059. And so we view this as a step in the right direction, but I still think we need to also take a hard look at the formula itself and recognize that there are some long-standing issues that need to be addressed, relative to whether or not, whether or not valuation necessarily is the same thing as wealth. We don't think it is, because it does not reflect the ability to pay. So this is an impressive set of organizations you've heard from today that are all in support of foundation aid, having worked this, this arena for a very long time. And this is the high watermark of what I've seen in a very long time, of different kinds of organizations willing to at least move in this incremental step together with increased foundation aid. And we encourage the committee to look favorably on it, and thank Senator Hughes for bringing the bill, and the governor for all the work that he and his staff have done in this. And with that, I would end my testimony and answer any questions if I could.

**MURMAN:** Thank you. Any questions for Mr. Hansen? If not, thank you for your testimony.

**JOHN HANSEN:** Thank you.

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Rough Draft

**MURMAN:** Other proponents for LB303. Any opponents for LB303?

**SHANE RHIAN:** Good afternoon, Chair Murman, members of the committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I am the chief financial officer for Omaha Public Schools. I am here today in respectful opposition to LB303, which would reduce the levy lid under the TEEOSA formula, from \$1.05 to \$1.02, as well as reduce the local effort rate from \$1 to \$0.97. Lowering the levy lid to \$1.02 will have a significant negative impact on the OPS budget in the near future. It also amounts to another erosion of local control. Our concern stems in part from the fact that we anticipate significant changes and other variables in current funding-- in the current funding formula, which will leave the district in a precarious financial position. By way of example, we anticipate that our district will no longer qualify for 100% free lunch and breakfast district-wide under the community eligibility provision of the school lunch program. This change in status will dramatically affect our property allowance under TEEOSA, resulting in a projected loss of up to \$30 million in state aid in the future. That change alone would result in a corresponding property tax increase for our citizens of approximately \$0.09. Lowering the levy lid to \$1.02 under LB303 would effectively prohibit the district from replacing approximately a third of that projected \$30 million loss in state aid. We offer for your consideration a modified approach to LB303, which maintains the current lid at \$1.05, maintains foundation aid at \$1,500 per student, and reduces the LER from \$1 to \$0.96. Taken collectively, this proposal would be cost neutral. This approach would add equalization aid for 13 more districts and provide greater property tax relief to those equalized districts that only received additional state aid from the increased special education reimbursement for the last 2 years. Nonequalized districts were able to pass along greater property tax relief the last 2 years, disproportionately disadvantaging property holders in equalized districts, generally in the larger population areas of the state. We appreciate Senator Hughes and the governor for their commitment to funding public schools and stand ready to be a partner in lowering the property tax burden for our patrons. However, we cannot support LB303 in its current form. Thank you for your time. I'd be happy to answer any questions.

**MURMAN:** Thank you. Miss-- any questions for Mr. Rhian? If not, thanks for your testimony.

**SHANE RHIAN:** Thank you.

**MURMAN:** Other opponents for LB303? Any neutral testifiers for LB303?

**BRYCE WILSON:** Good afternoon. I'm Bryce Wilson with the Department of Education. That's B-r-y-c-e W-i-l-s-o-n, the finance officer. And I'm just here to answer any questions you may have.

**MURMAN:** Thank you. Any questions for Mr. Wilson? We've had testimony, I think, both ways on what lowering the LER will do for different districts, of course. Is that a good way to go, in your opinion, or lowering-- I know you're probably not here to give an opinion, only facts and figures, but-- rather than lowering the taxable valuation?

**BRYCE WILSON:** Well, I guess that just depends on what the goal is. So there's going to be different impacts when lowering the LER. It's going to be applied consistently amongst the different types of valuations across our state. Lowering the valuations and what they're recognized as within the formula, when we determine the adjusted valuation, will impact those different segments differently. So if you're talking about agriculture or horticulture land versus residential, commercial land, they'll have different impacts. So it just-- it is dependent on what the will of the bill or the body is for that.

**MURMAN:** So in order to be equal amount of property tax relief for agriculture and residential, the taxable valuation, if, if we would lower it, would have to be different, of course, is what you're saying?

**BRYCE WILSON:** So just changing the local effort rate, if you're looking at a-- from a statewide perspective of all 245 school districts this year, just changing the LER rate is primarily going to make a difference to the-- well, it's only going to affect the equalized districts and those that are right on the verge of becoming equalized. And so, a lot of the equalized districts are more urban, not completely, but that is more of the tendency. So it will-- that change in the LER rate and-- is really only going to affect those areas primarily. There are-- obviously, there are some agricultural districts as well that have lower valuations, compared to student counts, too, that are equalized. So.

**MURMAN:** OK. Any other questions for Mr. Wilson? Yes, Senator Lonowski.

**LONOWSKI:** Thank you, Chair. And thank you for testifying today. So Mr. Rhian said that OPS is 100% lunch and-- free lunch and free breakfast.

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Are-- do we have several districts like that in the state? Can you answer that, that are 100%?

**BRYCE WILSON:** Yes. We have, I think, now-- I had all these numbers memorized this summer when I testified at the hearing, but I think it's around 25--ish districts that are district-wide CEP districts, which is what OPS is, meaning that they are above the threshold set by the federal government and can claim free lunch, free breakfast for all their students.

**LONOWSKI:** OK.

**BRYCE WILSON:** And several-- and we have, I think, around 10-12 more districts that have school buildings that are CEP buildings, just not district-wide in their, in their district.

**LONOWSKI:** Do you know what the threshold is off the top of your head? I'm sure it's a complex formula, but is there a \$30,000 single parent or--

**BRYCE WILSON:** It depends, it depends on the family size. But it's, it's-- it comes down to if you're a CEP or not, they lowered the threshold to-- and I'm going off of memory so this is dangerous-- but 40-- it used to be 60, 65% free lunch counts, and they lowered it to 40 or 45% now, district-wide, to be able to qualify for a CEP district, com-- community eligibility provis-- provision district.

**LONOWSKI:** OK. All right. Thank you.

**BRYCE WILSON:** Yeah.

**MURMAN:** Any other questions for Mr. Wilson? If not, appreciate you being available. Any other neutral testifiers for LB303? If not, Senator Hughes, you're welcome to come up and close. And while she comes up, online we had 1 proponent, 1 opponent, and 1 neutral.

**HUGHES:** All right. Thank you, Committee. I wanted to mention a couple things that were pointed out. I think Mr. Royers mentioned possible constitutionality issues with the members of the, the-- on the commission, with the members that the, the Legislature would vote on for the commission. So we can look into that. And Mr. Meisgeier from Millard mentioned the statute in Section 1 related to the LER needs to be in another section, so we can also dig into that. So thank you for, for hearing this today. I'd like to thank again, Governor Pillen, for his commitment to working with the Legislature to provide for greater

stability of our school funding and addressing our ongoing tax issue-- property tax issue. I appreciate the dedication-- his dedication to doing more with TEEOSA and pulling additional levers as we go forward. I really appreciate everyone coming forward to testify. I'm amazed at the amount of proponents we had. So that's, that's really great and I think that's a testament to the work that's been done on this, prior, prior to today. I did want to mention on the online comment, there-- the one in opposition says that this bill gives money to private schools and therefore should be opposed. This has nothing, nothing to do with private schools. So for the record, nothing to do with private schools. In the, in the face of rising property taxes, I think we do need to do something. I wanted to mention I found it really interesting when Governor Pillen-- because I hadn't tied this together, but I knew over the last 20 years that ag valuations went so high. And I didn't tie it to-- with the ethanol production coming online and, and then, you know-- and that kind of helping promote that, if you will. And I'm going to mention, TEEOSA did exactly what it was supposed to do. As-- because it looks at your means versus your needs. And if you have the means, then you didn't need that state aid, right? And so as valuations went up, it appears on paper and, and Mr. Hansen mentioned this, too, just because your land is worth so much, that doesn't mean you have the cash in hand to pay those property taxes. And that's, that's been the rub, I guess, with that ag increase the last 20 years. But if we did have that commission back then and through that whole time, we-- I don't think we'd be where we're at today. I feel like the legislative body hopefully would have seen what's happening and adjusted those levers to keep state aid going to those equalized schools and that-- or, or those schools. And so, we would have kept the number of equalized schools higher. But this is where we're at today. And so, we go forward from where we're at. And I just-- I truly believe this is a step in the right direction. It is a small step, but it is a step in the right direction. And if we can keep going down this path and, and whittling away at this, I think we can get it to a place where, where we're all, you know, in a better spot. Again, my, my ultimate goal in school funding is bringing our levies closer together. And that goes beyond just the frustration of 2 districts with, you know, land in between that's one is double-taxed than the other. But then, if we can kind of get our handle on this property tax issue and going for stability for schools and going the right direction, then now we can maybe start focusing even more on student success and, and teacher retention and staff retention and literacy and, and all these need to happen, too. It seems like we really have this conversation about property tax relief and, and

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it's-- we do need more state funding to school. But that's just a shift, right. That's not more, but we've-- we can then take more money and do it very targeted, to getting the outcomes we want. So I don't want to keep you forever, but I really appreciate the time here. I think there's some conversation that needs to be had, you know, outside of this, especially with that commission. I don't want a commission of 50 people because that will not get something done. That would be pretty hard to corral that. But I think we can do a better job of what our commission makeup is and, and then they can give recommendations to our legislative body going forward, and kind of keep monitoring this and using TEEOSA as it was intended instead of kind of letting it be-- steering itself the, the last few years. So appreciate your time. And I'd, I'd take any questions if you have any.

**MURMAN:** Thank you. Any questions for Senator Hughes? I'd just like to say I appreciate your comments about ag land. It's actually a business input. You know, you have to pay higher rent or somehow purchase the land, and it has nothing to do with your ability to pay-- and and--

**HUGHES:** Yes. 100%.

**MURMAN:** And, and I assume you agree with that. You didn't [INAUDIBLE], so.

**HUGHES:** Yeah. And that's also when we had the prior conversation about I, I think there still needs to be work within the formula with the, the valuations residential, commercial, and ag. I think both need to be looked at and potentially adjusted. And hopefully that's-- that commission can kind of work toward that, and in the next few years we can start doing, you know, going down that route too, so.

**MURMAN:** I agree.

**HUGHES:** Yeah.

**MURMAN:** Any other questions? If not, thank you very much.

**HUGHES:** Awesome. Thank you.

**MURMAN:** And that will close the hearing on LB303. And we'll open the hearing on the next 2 bills. Per Senator DeBoer's request, we are going to combine the next 2 bills. The subject matter is very similar to the bill we just talked about. So welcome, Senator DeBoer, to the Education Committee.

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**DeBOER:** Thank you very much.

**MURMAN:** We'll open the hearing on LB500 and LB597 combined.

**DeBOER:** Good afternoon, Chair Murman and members of the Education Committee. My name is Wendy DeBoer, W-e-n-d-y D-e-B-o-e-r, and I represent District 10 in beautiful northwest Omaha. Today, I am introducing to LB500 and LB597. I appreciate very much the committee accommodating the combining of these 2 bills for me. I-- as some of you know, have a, a medical issue I need to take care of later today, so. You've heard a lot about TEEOSA, the need to update TEEOSA. Senator Hughes' bills and my bill has quite a lot of similarities. So I can just say ditto to a lot of what she said about the need for this. This bill that you have before you in LB597 is LB1073 from 2020, which I brought in my second year here. There are a couple of differences, but it basically rests on the same premise that Senator Hughes' bill does, on moving the levers within TEEOSA. As Senator Hughes said, TEEOSA is operating exactly as it was, as it was intended to do. TEEOSA was originally, in 1990, a bill about getting the levees closer together. At that point, there were levees in the \$3.60 range and levees in the \$0.13 range. So such a wide variety was problematic. TEEOSA came, and it did bring levies closer together. They are, in fact, demonstrably closer together than that. But we would like to have them still closer together yet. When it was first passed, there were a lot of schools, the vast majority of schools, not all were in equalization aid. And now over the years, and I will say in part because we did not have an education commission to watch this, the levies have drifted apart. So my bill would-- LB597 would bring the 2-- the levy-- would attempt to bring levies closer together by doing 3 things. It does 3 things. It brings the LER, and with the amendment that I handed out to you, the levy lid, both down \$0.10. That may be part of why mine is so expensive if you look at the fiscal note. So it brings both down \$0.10. Of course, you can change that to do \$0.05, \$0.04, whatever. But it brings both the LER and the levy lid down proportionately together. And I think that's a really important point that I would like to bring to this committee's attention, is because it still retains that \$0.05 gap between the LER and the levy lid so that schools can work within that range to try to figure out what's best for their local needs. However, it guarantees that you will lower your property taxes because the top that you could even charge would be \$0.95 instead of \$1.05-- or I mean \$0.90, instead of \$1.05. So it brings down property taxes. It brings more aid into the schools because the local effort rate is the amount when they say needs minus resources, that LER is the resources. So if you bring that down,

that's going to bring more funds from the state into the schools. So that's the first thing it does is bring the LER down and the levy lid together, at the same rate. The second thing it does-- and that's with the amendment. The original bill just said the LER goes down. We inadvertently didn't also say "also the levy lid," but we intended to. The second thing it does is it brings ag land valuation down to 65% within the formula. So it says, we have-- we recognize that right now, we're still in a situation where ag land is kind of inflated in its price. And so, it doesn't make as much sense to determine the needs of the local area based on these inflated ag valuations, which is the reason why people went out of the TEEOSA equalization aid, is because they had enough ag land. And when those prices got inflated, then they didn't-- they, they, they seemed, on paper, to have a lot of valuation. And in fact, the valuations were there, and so that's why we ended up with so many schools going out of equalization. So this recognizes that, takes it down to 65%. I'll note that I represent Omaha Public Schools and Bennington Public Schools, which would not be affected by that change. But it looks to me like a way that answers to the question of how do we rebalance things? And that seemed fair to me. And then the last piece is to do with foundation aid. When I first introduced this bill in 2020, we didn't have foundation aid. We do now have foundation aid. But foundation aid, when you're giving a flat amount to people who it costs \$12,000 a year to educate a kid and to people who it costs \$30,000 a year to educate a kid, you're going to have a disproportionate effect, based on whether you're on the high or low end of how much it costs to educate a kid. So I have introduced in here an idea called basic funding. It's a number within the formula. And it says in this bill that we would give 7.5% of your basic funding or the \$1,500, whichever is higher. So if you're in a really small school, the nice thing about having basic funding is-- particularly, if you're out in say, Senator Storer's District, where it's all ag land around you or something like that, if your levies are very low because you have so much ag land around you, but you cost \$30,000 a year for a kid, this is going to give you more than that \$1,500 for foundation aid. Recognizing that the sparsity effect is making your economies of scale not there, and you're going to need to have a little more money to get the same kind of support that you would to have foundation aid in other places. So those are the 3 things that LB597 does. I have all these eloquent words that I have said in the past about it, but I'm not going to read any of them to you. Then I'll introduce LB500, which is the other bill that you're taking up. This is the Education Finance Commission, which was my priority bill for like 3 years. So I-- it got as far as the floor and then got



filibustered. So I'm very glad to see the support for that bill from the governor. I cannot tell you how happy I am to hear that, because this is-- I mean, I've been saying it for years. This is what we need to keep us on the right track so that we don't veer off. We could fix TEEOSA. We could, we could create a whole new funding structure and call it "SMEOSA." We could do whatever we wanted like that. For the, for the Transcribers, that's SMEOSA, S-M-E-O-S-A. We could do any of those things. And if we don't have somebody minding the store, especially in an era of term limits, who's going to watch the long-term trajectory of our school finance to say, hey, we've got an outlier in land valuations for ag land or residential or commercial or whatever it is, and watches those things and gives recommendations, we're going to get back here again. And what-- when TEEOSA was passed, it did have a commissioner or shortly thereafter, they had a commission much like this. And then in-- I can't remember. It was Ron Raikes when he redid his thing, and I think it was-- I can't re-- I'll say the wrong number if I say-- anywhere-- they got rid of it because they thought they could save a little money. Well, what they did is not save money because the cost for people to, you know-- we all go through these phases where we say, let's get rid of boards and commissions we don't need. Turns out we needed this one. So this is a-- this commission is something that we really need. If you look at the makeup of mine, there's a couple of things you'll notice. One is that this is-- I think we took this one from a couple of years ago. So it has the wrong class size structures because we changed the class sizes of the schools. So that would have to be amended to reflect the current class size breakup. The other thing is you'll notice that we have the senators sitting in advisory position-- positions within the advisory committee. They don't-- they're non-voting members and that's because of the separation of powers issue, that if you've never gotten a little letter that says, hey, you can't have senators be voting members on commissions or boards with other people who are not senators, that's to recognize that. So I'm happy to work on this. But this makeup of the commission has gone through probably 10 changes over the 6 or 7 years that I've brought it. And where we've landed is where everybody was kind of happy before. So other than the changing class sizes, I would be happy to talk to you all about why I've picked who I've picked to be on this, and whose idea each individual member was. I'm sorry I'm taking a very long time to open, but I'm not going to be here for close. But-- you know, when I first introduced this bill, this bill on the commission, I said we have a kind of a Ship of Theseus problem, which is this old mind game that you say: If Theseus built a boat, but then plank 1 was repaired and changed by someone

else, and plank 2, and plank 3, and plank 4, and plank 5, until all the planks are replaced. Is it still the boat that, that Theseus built? And TEEOSA, we've had to adjust over the years. And if we continue to adjust it without having anyone have some continuity over it, is it still TEEOSA anymore? No. That's the mind-melding question for the day. But the point is this: If we do have a commission that can watch those changes, that can adjust to those, that can take those into account as well as the outside situation, I feel much more confident that we can keep Theseus' boat still as Theseus' boat. So, thank you.

**MURMAN:** Any questions for Senator DeBoer? Senator Conrad.

**CONRAD:** Thank you, Chair. Thank you, Senator DeBoer. And I know that you have to go as well. So this isn't really a question, as much as perhaps a comment. I know that some of the concepts that you've worked on really diligently over many years, in regards to reducing property taxes and keeping public education strong are contained in the proposal that was heard earlier today that Senator Hughes has been working with Governor Pillen on. So from the school finance component that you long championed to the commission components that you've long championed-- thank you. And you know, it, it reminds me of so many different quotes, right? Like imitation is the highest form of flattery, and nothing is as powerful as an idea whose time has come. So I definitely have been there over the course of my 11 years in the Legislature, where you dig in and you dig in and you dig in, and you feel like you're not making any progress and you're not making any progress, it actually-- then somebody picks up the baton along the way. And if-- but for your leadership, we wouldn't be here today, so I just want to say thank you.

**MURMAN:** Any other questions for Senator DeBoer? Senator Hughes.

**HUGHES:** Thank you, Chairman Murman. Thank you, Senator DeBoer. So I think this speaks to, a little bit, of term limits and the, the lack of knowledge and history of what's come, come down the pike. Because I was not as familiar with that you had brought this bill over the past years and whatever. But it doesn't matter, because this is where we're at today, and we will go forward. But I'm curious because you mentioned this was-- got to the floor in years past, not my 2 years past, but prior. What was the reason for a filibuster on this commission, because I just don't see this as filibuster worthy. But if you wouldn't mind sharing, that would be great.

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**DeBOER:** First, I'm happy to pass the baton to you even though you didn't, you didn't know that I was passing it to you because I don't think I've introduced it since you were here.

**HUGHES:** I don't think so, either. Yeah. OK.

**DeBOER:** After it got filibustered, I--

**HUGHES:** You were done.

**DeBOER:** --took a little break.

**HUGHES:** That's fine.

**DeBOER:** It was-- the argument was that it was-- even though it was completely an advisory board, the argument was that it was delegating our legislative authority because we wouldn't be able to not listen to them. Because they would have more information than us. Which never made sense to me--

**HUGHES:** I was going to say, that's everything.

**DeBOER:** --because pretty much everyone-- every time we have a bill, there's that situation, but that was the argument that was made on the floor for 7 hours. And, you know, I think you have some really good ideas in your bill, and I will be supporting your bill. I had meant all along to sign on to it, so hopefully you'll--

**HUGHES:** No, we-- I, I-- yeah. I look forward to this conversation. I'm with this Education Committee to kind of land on a-- if, if we choose to go forward on what that commission makeup would be and, and how it would be-- yeah, set up.

**DeBOER:** And you are the leader and I am glad to have you here leading. And it's great, because I never made it onto the Education Committee. And so, it's, it's really wonderful to have you doing it, and I appreciate all the work that you've done in putting this together.

**HUGHES:** Well, I thank you for your input. Because you've done a lot of that research and we'll just glom onto that, so--

**DeBOER:** Work together.

**HUGHES:** --thank you.

**MURMAN:** Any other questions for Senator Boer? Senator Lonowski.

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**LONOWSKI:** Thank you, Chair. I'm, I'm going to get you both flowers and that'll save the conversation. I, I have a couple questions. So-- and this is kind of what Senator Hughes was getting at, is-- as far as the filibuster, is there a, a financial cost or, or an A bill to the, to the committee itself?

**DeBOER:** So the cost is just covering like your mileage to--

**LONOWSKI:** OK.

**DeBOER:** --for the commission members to drive. We, we always would cover your mileage for coming into that. Now, I suppose we don't have to do that, but that was what I had envisioned.

**LONOWSKI:** OK. And then I don't need to be on the committee, but I would sure help you with a better name than SMEOSA, if-- just because that one seems maybe not like a selling point. Thank you, Senator.

**DeBOER:** Thank you.

**MURMAN:** Any other questions? If not, thanks a lot.

**DeBOER:** I'm not going to stay to close. I'm sorry.

**MURMAN:** Yeah.

**CONRAD:** Thank you.

**MURMAN:** That is fine. Thanks for opening. Proponents for either LB500 or LB597.

**DAVE WELSCH:** Yes. Good afternoon again, Senators. I'm here to speak on LB597. And before Senator Moore gets out the door, I will say she's done a lot of work to understand how TEEOSA works. She's-- a few summers ago, she invited superintendents and board members to come visit with her. And she's really put the work in to understand TEEOSA and how it needs to be changed. So for maybe the new senators, if you're looking for someone, Senator DeBoer would be good. Senator Hughes, as well. Spent a lot of time with Senator Hughes helping her with TEEOSA, so appreciate her introducing the bill, as well. Yeah, Senator DeBoer went over some of the changes. There's kind of 3 main changes. One is lowering the levy cap from \$1.05 to \$0.95, which lowers the local F rate down to 90. That will increase equalization aid. And like I said earlier, that is one of the goals is to increase equalization aid. I mean, if, if you, if you have it yet, the Simple

Plan handout that I, that I had earlier kind of outlines the target that we should be shooting for in this state, which is to get every school equalized. And so yes, lowering the LER is, is moving that in the right direction. The other piece that can help increase equalization aid is lowering the valuations inside the formula. That's also called adjusted valuations is what they're referred to inside the formula. So they're different than what we're taxed on. They are simply a, a, a percentage of the valuation that's used to calculate what the local resources are for each school district. And it's certainly a lever that can be pulled to help reduce property taxes across the state. The third component that she had was the not increasing foundation aid, but calculating it as a percentage of basic funding. And she did a very good job of explaining that. Yes, there are schools that it costs, you know, \$20,000, \$25,000 per student to educate, educate them, according to the basic funding averaging that we do as part of TEEOSA. And it wouldn't be a lot of money, but it would be a, be a help. Personally, I'd go all the way and just use basic funding as a component, rather than foundation aid. Foundation aid is distributed per student, and in these small school districts, if they lose 5 kids, they're going to lose money but their costs aren't going to go down. So if that aid was based upon more of what their basic funding was, then they could retain that funding even if they lost students. You know, personally, I would take that foundation aid and put it into lowering valuations and lowering the local effort rate and-- I guess, on a-- on-- I hope you'll take the time to look at the Simple Plan. There's a lot of good ideas in there. It explains how TEEOSA works and how these different levers impact it. But the big picture-wise, we're trying to get property taxes down in this state. And we do it-- we're trying to do it through TEEOSA, which is fine. But all the cha-- all the money that we're adding into, into TEEOSA and education funding, everybody wants a dollar for dollar property tax reduction. Well, that's fine, but when are we going to start investing in our kids? When are we going to start increasing how much we're putting into our education system? And the best way to do that is get every school equalized. Then we can start talking about the needs side of the formula. And do we need to put more money into kids that are in poverty? Do we need to put more money into kids that have, have to learn the English language or transportation or the other areas that are do-- are there new areas that could be needs within the state, like retaining our teachers, or giving them boosts in salary through the needs side of the formula? All of these-- it-- it's like we have a two-tiered system right now. You're equalized or you're nonequalized. And if you pull one of these levers, it's only helping

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one side or the other, so then you have to go find another lever to pull to offset it on the other side. That's why everyone being equalized is so important. Oh, I probably got 30 seconds here. The Simple Plan, it's an economic stimulus plan. If we can lower property taxes for farmers and business owners, their profits are going to go up, their income taxes will go up. Homeowner, lower their property taxes, their discretionary spending goes up, more sales tax. The big thing as far as schools go, we always hear-- there are senators that, we need to consolidate these small schools. OK. So instead of a kid driving 1 hour to school, now they're going to drive 2 hours to school. But there are places where they could consolidate, but one school has got a \$0.40 levy and the other one's got a \$0.95 levy. Those property owners don't want to consolidate with the higher levy school district. Their taxes will go up. But with the Simple Plan, we can bring those levies between about \$0.30 and \$0.45 for the majority of schools. Then, if neighboring school districts want to talk about consolidating to improve educational opportunities, then property taxes don't get in the way of that discussion.

**MURMAN:** OK. You have the red light, but--

**DAVE WELSCH:** Yeah. Thank you.

**MURMAN:** --you can hopefully summarize if you want to--

**DAVE WELSCH:** That-- that's pretty much-- I've got a school board meeting at 4:00 and it takes me 30 minutes to get there, so.

**MURMAN:** Any questions for Mr. Welsch?

**DAVE WELSCH:** I do appreciate you keeping your head down the first time I was up while the red light was on, so I got to go a little further, so. So.

**MURMAN:** Any questions?

**DAVE WELSCH:** Happy to meet with you--

**MURMAN:** Senator Hughes.

**DAVE WELSCH:** Go ahead.

**HUGHES:** This is-- this will be quick. I know you have to go. One, thanks for coming in. Thank you for your years of experience. And just-- so you're-- I mean, you represent a school in my district. And

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just for everybody, Dave, you've just been a wealth of information for me, and I really, really appreciate it. And we're on that same path and we're going down that path. The Simple Plan is something we do all need to consider. I don't know that that's going to happen this year, but that's our goal. So, yeah. So thanks for coming and sharing. Appreciate it.

**DAVE WELSCH:** Yeah. And just--

**HUGHES:** Your work does not go unnoticed.

**DAVE WELSCH:** Yeah. Take a look at the Simple Plan [INAUDIBLE]. Well, that's got to cost a lot of money to get every school equalized. Well, it does, but a little be-- piece of history. We have 2 property tax credit funds. One is based-- it's distributed based upon your valuation. So it really doesn't help to bring levies closer together. The other one is based upon the school property taxes that you paid. And it used to come through our income tax credit that you had to apply for it. Now, it comes straight off your tax statement, which is a step in the right direction. We really need to go the next step and frontload that \$1.2 billion into our state aid formula, into TEEOSA. If we do that, that's how we're going to get almost every school in this state equalized, and probably all of them if we could find another \$250 million, which doesn't really sound like pocket change, but, but there's ways to find that if we want to. And, and hopefully with education, having communications with our governor, we might be able to come up with that in the very near future so we can get all schools equalized so we can start investing in our kids, rather than just, just talking about lowering property taxes.

**MURMAN:** Thank you. Any other questions? If not, thank you.

**DAVE WELSCH:** Thank you very much. Appreciate it.

**MURMAN:** Other proponents for LB500 or LB597?

**JOHN HANSEN:** Mr. Chairman, members of the committee, good afternoon again. For the record, my name is John Hansen. I am the President of Nebraska Farmers Union. John, J-o-h-n, Hansen, H-a-n-s-e-n. And so, I've been working on education issues for oh, about 45 years. And I just can't thank Dave Welsch enough for-- we've got a lot of school board members like him that have been out there in the trenches for a very long time that have an enormous amount of expertise. And they have been not only just dealing with the reality of what they have to

deal with relative to funding, but they've also been looking for better ways forward, a better path forward. So we are sympathetic to his, his formula and his Simple Plan. And so, we'd like to have you take a look at that. We would also point out that former Senator Friesen is probably doing backflips, if he's able to do backflips yet, saying my word, really? Foundation aid actually in a mainline bill that looks like it's going to go somewhere? And so, he's been championing foundation aid for a very long time, whose an idea that we've thought for a very long time needed to be in play. It's a, it's a reasonable step forward. But having worked with almost all of the education groups in the state and, and the ag groups and having worked in a coalition with those folks for some time and helping kind of prod that along, when you got to the issue of foundation aid, that's when things melted down quickly because we just couldn't get everybody on the same page at all. And yet, we really think it's a-- you know, an important step forward. So I, I salute Senator Hughes for getting there. Relative to LB500, I really kind of talked about that in my previous testimony. But it was, it was a critical mistake to get rid of the only management system that we had that was tied to TEEOSA. Because when we didn't have that management component in there and then the variables changed, and they changed in a fashion that, that was understandable and unforeseeable, we had no management response mechanism. And so because we didn't, then we just continued to try to cope. And unfortunately, in a lot of that, the folks who ended up at the short end of the stick, stick were a lot of smaller rural schools, and so they disproportionately were getting dropped out of equalization. And so we just, you know, just kept plowing our way forward. So we thank Senator DeBoer for helping champion her efforts relative to creating a, a me-- a management mechanism with the school financing review. But I would also point out that there were others before her who championed it also, for years, including for-- former Senator Al Davis and others that brought-- saw the same need, brought it up and, you know, had, had similar success as Senator DeBoer. So the fact that we're now talking about both of those mechanisms, for me, represents real progress. And the other thing that as the president of a farm organization, the, the business of gee, oh, why, why isn't land the same thing as wealth, is because it is an ag input. If you ever tried to farm without land, it's very difficult. And so you're either going to pay for it in rent or you got to pay for it as a result of a purchase. And so why is land more-- priced at a higher level than what the mechanics and the economics would indicate? My experience is that the price of land that sells on average is about three 3 times what will cash flow. And the reason it's 3 times is



because, as my dad used to say, it's hard to pass a law against somebody who has money and wants to pay more than will cash flow. Because they take all the money that they have in the rest of their operation and they use it to buy that one piece of land that they have had their eye on for a very long time, that they know it's going to be 40 years before it comes up again. And so as a result, we continually overpay for ag land. And unfortunately, that 3 times what will cash flow rate becomes thanks on how we value and develop evaluations. That gets the key-- how it is that we value all the rest of the land, which is about 99% of the land in a given year that did not sell. So we, we compound different kinds of issues and we kick them down the road. So we represent-- we thank Senator Deboer for bringing both of these bills. And we wish the committee well as we hopefully move somewhat forward.

**MURMAN:** Thank you. Any other questions for-- any questions for Mr. Hansen? No. Thank, thank you very much.

**JOHN HANSEN:** Thank you.

**MURMAN:** Other proponents for LB500 or LB597. Any opponents for LB500 or LB597?

**SHANE RHIAN:** Good afternoon, Chair Murman and members of the Education Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I am the chief financial officer for the Omaha Public Schools. I'm here today in respectful opposition to LB597. I'm not testifying on behalf of-- or on LB500. LB597 would increase the annual per student allocation of foundation aid to each school district to the greater of \$1,500 or 7.5% of the basic funding calculated for such school districts. Increasing the amount of foundation aid by any amount annually disproportionately benefits school districts that have more resources than needs, such as those districts that do not receive equalization aid and have a levy generally much lower than the 1-0-- \$1.05 lid, over school districts that have more needs than resources, such as those that receive equalization aid and have a levy at or near the \$1.05 lid. LB597 also reduces the valuation of agricultural land within the TEEOSA formula from 72% to 65%, providing a disproportionate increase of state aid to districts with a higher percentage of agricultural land than to the districts in the more densely populated areas of the state, with a much higher percentage of residential and commercial property. The reduction of the local effort rate in LB597 as originally introduced from \$0.05 to \$0.10 below the levy lid is a positive improvement to the TEEOSA formula and is a

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provision of LB597 that Omaha Public Schools does support. The lowering of the local effort rate by \$0.05 would provide equalization aid for 15 additional school districts in the state and provide greater property tax relief to those equalized districts that only received additional state aid from the increased special education reimbursement for the last 2 years. Nonequalized districts were able to pass along greater property tax relief the last 2 years due to foundation aid, disproportionately disadvantaging property holders in equalized districts, generally in the more densely populated areas of the state. Not in the written testimony, we would have concerns about lowering the lid by \$0.10 and the LER by \$0.10, as Senator DeBoer indicated, related to her amendment. But we are in support of lowering the local effort rate from \$0.05 to \$0.10 in the original LB. In light of the foregoing, we request that you do not advance LB597 unless amendments are made to remove the proposed changes to foundation aid and valuation of agricultural land within the TEEOSA formula. Thank you for your time, and I would be happy to answer any questions.

**MURMAN:** Thank you. Any questions from Mr. Rhian? Senator Meyer.

**MEYER:** Thank you, Chairman Murman. Just for my understanding, with the provisions you're, you're proposing here, the changing \$0.05 to \$0.10 or vice versa, that would be beneficial to your particular school district. You're saying that the changes that you would be willing to agree to would cause equalization of 15 more school districts, which brings it to 73, as opposed to-- at the expense of the other-- balance of the 245. Is this beneficial to your district? How does it-- how does your proposal benefit the balance of the districts in the state?

**SHANE RHIAN:** So TEEOSA has historically always been based on needs minus resources--

**MEYER:** I understand the formula.

**SHANE RHIAN:** --equals state aid. And so, we feel that provisions in LB597 or any of the other-- LB303-- that increase foundation aid are inherently disequalizing, because it redirects scarce state resources to those districts that have a sufficient property value base to run their school districts.

**MEYER:** And from my understanding of the, the testimony we've had, that's primarily OPS?

**SHANE RHIAN:** So there are approximately 50 to 55 districts that receive equalization aid. We are the largest. We receive the largest amount of state aid, primarily due to that equalization aid. We educate 52,000 students and have a property valuation base of approximately \$34 million. That allows us to generate property taxes of just over \$6,000 per student. The statewide average to educate a student is somewhere around \$15,000. And so because we have such little valuation base because of the concentration of the number of students within our geographic footprint, state aid is critical to us. We are very fortunate over the last 2 years to have had a governor and a Legislature who are committed to maintaining state aid for school districts. Historically, if there was a \$450 million shortfall in the budget, that would have been balanced on the back of TEEOSA by making a negative change to TEEOSA. So we recognize and applaud the governor and Senator Hughes and Senator DeBoer for their legislation that would actually increase state funding. Our concern is that in-- at some point in time, 2 or 6 years from now, we will have a different governor, and that governor's priorities may not align with maintaining funding for the state. Historically, state aid has been reduced when the state has had a revenue crisis or insufficient receipts to maintain the budget that they've had. So our concern is that we would write a check today that the state wouldn't be able to cash in the future, when we have a different governor and a different Legislature.

**MEYER:** Thank you.

**MURMAN:** Senator Hughes.

**HUGHES:** Thank you, Chairman Murman. Thanks for coming in, Shane-- Mr. Rhian. So how long have you been at OPS? And I'm going to-- I'm just going back in history.

**SHANE RHIAN:** Sure.

**HUGHES:** So I want to get your history. How long have you been at OPS?

**SHANE RHIAN:** Thank you. I've been with Omaha Public Schools for almost 6 years. And prior to that, I was with the Nebraska Department of, Department of Education working under Bryce Wilson for 7 years.

**HUGHES:** OK. So 13 years.

**SHANE RHIAN:** 13 years in school finance.

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**HUGHES:** So here's my question. 20ish years ago, we had over-- or around 200ish school districts equalized. Do you fundamentally believe that the majority of school-- like, we did-- that's a goal. Maybe we should shoot for that 200ish school districts to be equalized again or--

**SHANE RHIAN:** So-- thank you for the question. We--

**HUGHES:** And I'm, I'm not trying to put you on the spot. I'm just trying to get a history here and, and get my brain around how these things work. So.

**SHANE RHIAN:** So we didn't get to where we're at overnight, right?

**HUGHES:** Not at all.

**SHANE RHIAN:** It, it has been a 20-year--

**HUGHES:** It has been 20, yes.

**SHANE RHIAN:** --slow erosion of the--

**HUGHES:** Yes.

**SHANE RHIAN:** --number of districts receiving equalization aid. The two key factors in that, as the governor indicated and yourself, was the increase in the valuation of ag land.

**HUGHES:** Right.

**SHANE RHIAN:** So that's a resource.

**HUGHES:** Yes. Yep.

**SHANE RHIAN:** That's a difficult resource sometimes for landowners to access because it's not real--

**HUGHES:** It's not cash.

**SHANE RHIAN:** --cash, but it's a value, right?

**HUGHES:** It's not liquid. It's not liquid. Yeah.

**SHANE RHIAN:** In the late aughts, early teens, ag land values went up tremendously based upon that increase in ethanol and other factors. What we also saw was the Great Recession and the state having

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declining receipts. And it was a fortunate happenstance that valuations rose, which made TEEOSA go down. And so at that-- those points in times, it was very beneficial for the state to that ag valuations were going up and state aid was going down--

**HUGHES:** It saved the state.

**SHANE RHIAN:** --or staying very flat--

**HUGHES:** Yes.

**SHANE RHIAN:** --because it allowed them to save money. You know, we're talking about the LER a lot here. For 2 years, and I think it was '11 and '12 or maybe it was '12 and '13, the local effort rate was \$1.04, meaning the state expected a school district to tax their property owners \$1.04 before the state kicked in a penny--

**HUGHES:** Right.

**SHANE RHIAN:** --or any other amount to help equalize their needs. So it, it-- a lot of school districts were here in support of the increased funding and I understand their perspective. Our perspective at Omaha Public Schools is that at some point in time, the Legislature or a governor will propose a decrease in the funding for TEEOSA, and that will have a critical impact on us, Omaha Public Schools, perhaps catastrophic. Our general fund budget is approximately 50% property taxes, 50% state aid. The more that proportion shifts towards state aid, it becomes very concerning to us because that means we have less and less control over managing our funding.

**HUGHES:** I guess like-- and, and then this is the part that I get frustrated with and not, not with you, but just in the general concept, is that-- so when, when that shift was going on from [INAUDIBLE], when ag went-- I mean we have the numbers to show ag was exponentially higher than commercial/residential. Was OPS in here saying hey, that's not fair. Like, you know, ag valuations went up. Oh, the rural-- those schools are not going to be equalized anymore. And, and, and they weren't, because you know, it, it [INAUDIBLE]. And we had governors and, and legislative in place that were just fine with doing it, just as you mentioned. I completely agree with that. But it's like now we're here, and we're trying to rebalance it out a little bit. And I-- I'm hoping we can all say, yes, we want more schools equalized. We want levies closer together. That's like a long-term goal. But sometimes, that's going to take some different

levers and different pieces, and we all have to come to the table. And it's like my mom would always say, life isn't always fair between your 3 siblings, or whatever. I mean, sometimes things have to change based on history. And I mean, where do we get, in that sense, that, that we can all come together and say, this is good for this state? And I, I guess you are here representing OPS, and that's what you need to do. And we need-- I guess that's our job, right? We take all that information and we say, let's look at the state and what we need to do, hopefully to make all boats rise and, and do what's right for the state. But I don't know. It, it just gets-- it gets frustrating to hear-- because no one was saying these things-- or maybe they were. I wasn't paying attention in, in 2013, 2014, 2015, saying, hey, state funding is going away and it's because ag valuations are crazy. But oh, well. Too bad.

**SHANE RHIAN:** May I respond?

**HUGHES:** Yeah, go ahead, please.

**SHANE RHIAN:** Thank you. So OPS has always had a fundamental legislative position that equalization aid, needs minus resources equals state aid, is the appropriate way for the state to distribute funds to school districts. We also realize that because of the increase in valuations, that has flipped TEEOSA and it does make things difficult for legislators, for governors, for the State Department of Education, and for school districts. As you point out, I'm here advocating for Omaha Public Schools as the chief financial officer. We would not advocate at this point in time to take away foundation aid that was passed 2 years ago, But we would still lobby and still testify and advocate that any new funding for education should go to those districts who have a greater need than their resources available. Foundation aid is here. It's \$1,500 per student. That is good for some districts, not as good for others. But that's the rub. Not all siblings, as you point out, get treated equally. But we feel that any new funding from the state should go to those districts that have the least amount of resources available. And I do think it is appropriate to reiterate what Mr. Welsch said: There is an expectation of dollar for dollar property tax relief, so there is no new money for education.

**HUGHES:** It's, it's a shift.

**SHANE RHIAN:** There is a change of--

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**HUGHES:** Yes, where it comes from.

**SHANE RHIAN:** --who is paying for education--

**HUGHES:** Right.

**SHANE RHIAN:** --with all of this legislation that we're-- that you are considering today to advance to the floor.

**HUGHES:** And if I may, I'm going to ask--

**MURMAN:** Sure. Go ahead.

**HUGHES:** --one more question. I'm going to go back to, like you'd mentioned, OPS receives approximately half their funding from the state. And any time-- because I've run-- our office has run a bunch of different models with TEEOSA. And when you put more money into TEEOSA, OPS is a huge benefactor of it, because you are up at the, at the top. You-- as you stated, 52,000 students-- big-- so your-- so that's going to increase. So instead of 50% state funding, you might get 60% state funding. And I, and I didn't hear it as much today, but I know I've heard it before. Because I remember-- bef-- when I was running, I came in and I heard it, when I was sitting in the back, actually with someone over here-- that OPS had sat down and said, well, we don't, we don't want more state funding. We're, we're not comfortable with more state funding. And so then it's like, well, now we're in a conundrum, because anything you put through TEEOSA is going to give OPS more state funding, which, then they're going to have a higher percent of state funding. So, I mean, is there a point where it's like, OK, no school gets more than 55% state funding and anything more will just go to the other schools? I don't think that's the right answer.

**SHANE RHIAN:** So it is a difficult conundrum, right? At one of the governor's school finance group meetings, there was a question asked, what's the perfect ratio of state, federal and local funding for a school district? That could be different for every school district. We are currently at 50/50, probably more likely 47/47/6 with our federal funding. We typically budget that outside of the general fund, but you know, it, it-- we feel that that is a, a very good mix because we are responsible for half of the majority of our general fund budget. That doesn't mean that we are opposed to other districts getting more money. That doesn't necessarily mean that we're opposed to receiving additional funding from the state in marginal increments, but it does raise concerns about sustainability. Sustainability is always

something that we are very concerned about when we look at future revenues for the state of Nebraska. We're currently going through a, a, a process of stepping down the individual and corporate income tax rates. That is a symptom of the current budget deficit that, that you senators will be addressing. And it is speculation, some by smarter individuals than myself, on how to project out those future income tax receipts. But revenue for the state is either going to go down or plateau because of those reduced income tax rates, because we are not a highest populous state, even relative to our neighbors to the east and to the south. So there is no perfect funding formula for every school district. We are happy with the current ratio. If the state were to choose to invest additional resources towards education, we are appreciative of that through the TEEOSA formula of needs minus resources equals state aid.

**HUGHES:** And, and, and that's where I just kind of like-- but I come from a district that has not received a lot of state aid in the past. And so then, we're just like, we'll take any penny we can get. But if you're already 50%-ish, 47, 48% funded by state aid, I mean, to me, any cut in that hurts. I mean, it-- so does it matter if it's 48% or 58%? You're the biggest school district in the state. I mean, I would think if that would happen, there's going to be all kinds of crying out and-- I mean, it's just-- it's not going to happen. We're not going to let 52,000 students in this state not get educated. So, I don't know. These are things we need to work on still, and every district is very different. But I really-- thank you for your time. And I hope you didn't feel like you were put on the spot. I just-- the history is there, and I just-- you know, we all have our perspectives that we come from. So [INAUDIBLE].

**SHANE RHIAN:** Not at all, Senator Hughes. Thank you very much--

**HUGHES:** Yes. Thank you.

**SHANE RHIAN:** --for the questions.

**MURMAN:** Thank you. Any other questions? If not, thank you for your--

**SHANE RHIAN:** Thank you.

**MURMAN:** --testimony. Other opponents for LB500 or LB597? Any neutral testifiers for LB500 or LB597? If not, online for LB500 we had 6 proponents, 1 opponent, and zero neutral. For LB597, we had 2 proponents, zero opponents, and zero neutral. And that will close the



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hearing on LB500 and LB597. And we're going to take a quick 5-10 minute break and come back with the last 2 bills.

[BREAK].

**HUGHES:** We're ready to get back to the hearing, and we have Senator Murman with LB498.

**MURMAN:** Good afternoon, Vice Chair Hughes and members of the Education Committee. I'm Dave Murman, D-a-v-e M-u-r-m-a-n, represent Nebraska's 38th District. Today, I have the privilege to introduce LB498, LB498 is fairly simple. It adds an adjustment to foundation aid to increase based on inflation. When we passed LB583 2 years ago, on a 44-0 vote, Nebraska took on a major commitment to our schools, our property taxpayers, but most importantly, to our kids. Foundation aid currently funds our schools at \$1,500 per student. The goal then was simple: If we significantly increase state support of education, we can significantly decrease our state's reliance on property taxes. That goal has not changed. But what does change is the value of the dollar. As we all know, over time, and especially over the last few years, inflation harms the value of the dollar, and in turn, that means the true value of that \$1,500 slowly decreases. This bill recognizes the value of what an amazing promise that foundation aid was then and is now by ensuring we keep up with that commitment. I understand everyone here today is deeply committed to making sure our schools are well-funded. But by adding in an inflation index, we're thinking ahead and considering the long-term support and stability of foundation aid, long after each of us are term-limited out. I understand other senators have also brought bills to strengthen foundation aid, and this bill isn't meant as any kind of competit-- competitor to those bills. This is simply a small piece that I hope we can get done that has large importance for the future of our school funding. Thank you, and I'm happy to take any questions.

**HUGHES:** Thank you. Senator Murman. Do we have questions? I have one. I guess I'm going to, I'm going to flip the script and-- on what you had asked me during my bill. So do you-- the-- basically, foundation aid or changing valuations within TEEOSA? Which way do you think is the better approach or is it both/and, or--

**MURMAN:** Well, whatever we can get 33 votes for.

**HUGHES:** OK. Amen. I hear you.

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**MURMAN:** No, not, not really. I-- we--

**HUGHES:** Where's the political [INAUDIBLE].

**MURMAN:** I, I do like foundation aid. But, you know, we need to fund the school-- fund students- fully fund students' education and lower property taxes at the same time. And however we can get there--

**HUGHES:** However we can get it done. Yeah.

**MURMAN:** --that'll work.

**HUGHES:** All right. Thank you. Your-- you'll be staying for closing, I'm assuming?

**MURMAN:** Yes.

**HUGHES:** OK. First proponent for LB498. OK, any opponents? You're getting a workout today.

**SHANE RHIAN:** In for a penny, in for a pound. Good afternoon, Senator Hughes and members of the Education Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I am the chief financial officer for the Omaha Public Schools. I'm here today in respectful opposition to LB498. LB498 would increase the annual allocation of fund-- foundation aid per individual student provided to each school district by the percentage increase in the Consumer Price Index for all urban consumers. First, by trying to-- by tying the increase to the CPI for urban consumers, this bill disproportionately benefits rural school districts that already have low levies because their CPI rarely rises at the rate of urban districts. Second, and more importantly, increasing the amount of foundation aid by any amount annually disproportionately benefits school districts that have more resources than needs, such as those districts that do not receive equalization aid and have a levy generally much lower than the \$1.05 lid, over school districts that have more needs and then resources, such as those that receive equalization aid and have a levy at or near the \$1.05 lid. In light of the foregoing, we request that you not advance LB498. Thank you for your time and I would be happy to answer any questions.

**HUGHES:** Do we have any questions for Mr. Rhian? OK, I'm just going to ask one. It's going to be an ornery question, and you don't have to answer if you don't want to. But-- so there were 3 school funding

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bills today. LB3-- the first one, LB303, this one, LB498, and then Senator DeBoer's LB597?

**LONOWSKI:** LB597.

**MEYER:** LB597.

**HUGHES:** If you had to pick one, which one would you pick?

**SHANE RHIAN:** Senator--

**HUGHES:** Sophie's choice.

**SHANE RHIAN:** Senator Hughes, I would pick our proposal as an alternative to LB303, which was-- which is to leave the lid at \$1.05--

**HUGHES:** Yes.

**SHANE RHIAN:** --lower the LER from \$0.05 to \$0.09 below the lid, and--

**HUGHES:** Not do any foundation aid.

**SHANE RHIAN:** --leave foundation aid at \$1,500, and create the commission, which we think would be a very good thing.

**HUGHES:** And the base levy?

**SHANE RHIAN:** I'm sorry?

**HUGHES:** Would you do the base levy adjustment, too?

**SHANE RHIAN:** No, leave, leave the lev--

**HUGHES:** Would you add to this?

**SHANE RHIAN:** Oh, the-- I'm sorry. The base levy adjustment?

**HUGHES:** Yeah.

**SHANE RHIAN:** That would not impact Omaha Public Schools.

**HUGHES:** Thank you.

**SHANE RHIAN:** You're welcome.

**HUGHES:** Do we have any more opponents to LB498? OK. Any neutral? All right. Senator Murman, you want to finish?

**MURMAN:** Yes. As I said in my open, the reason for bringing the bill is in case we would need it for part of some kind of a new school funding formula or a revision that we would make. And the CPI calculation is just a, a calculation on the, I think it's a national figure, and it would be the same for all school districts. But by tying foundation aid to CPI, we're not increasing foundation aid. All we are is increasing to stay up with the rate of inflation. So we're continuing our commitment that we made 2 years ago, with foundation aid. And I'll take any questions.

**HUGHES:** Thank you. Any questions? All right. So that will close LB498. Thank you. Oh, yes. Sorry. Thank you. Online-- before we end with LB498, 3 proponents online, zero opponents, and zero neutral. All right. Thank you.

**MURMAN:** And now we will open the hearing on LB61 [SIC] and-- Senator Juarez's bill. And I appreciate your open.

**ROLF KLOCH:** Yeah, glad to be here. Good afternoon, Chair Murman and members of the Education Committee. My name is Rolf Kloch. That's R-o-l-f K-l-o-c-h, and I'm Senator Juarez's legislative aide. I'm here today to introduce LB161, which changes the weighting factor for early childhood education formula students from 60% to 100% to better reflect the cost to school districts of serving this population. While the state aid calculation used to have a weighting factor for all students, only early, early childhood enrollees are, are currently subject to one. This calculation works by adjusting the number of early childhood students by ratio of the planned instructional hours, divided by 1,032 to account for programs that don't operate on a full-time basis. A weighting factor of 0.6 is then applied to get the calculated qualified early childhood formula student count. Put simply, the current formula undercounts early childhood enrollees and thus, reduces the funding schools get to educate them. 4-year-olds and 5-year-olds are not 60% of a student and shouldn't be counted as such. This bill aims to reflect that principle in the TEEOSA formula so we can better account for schools' actual needs and ensure they can provide the level of services parents expect. With that, I'd like to thank the committee for their time and ask that LB161 be advanced to General File. There are several people behind me that will speak to the importance of investing in our youngest learners and answer any questions you may have.

**MURMAN:** Thank you. Any questions? If not, thank you. Proponents for LB161.

**CONNIE KNOCHE:** Good afternoon, Chairman Roman and members of the Education Committee. My name is Connie Knoche and I'm representing Open Sky Policy Institute. We're here today to testify in support of LB161 because it would increase the state aid to K-12 education by recognizing 100% of the qualified early childhood students in the TEEOSA formula. According to the State of the Preschool 2023 Yearbook, Nebraska ranked 20th out of 44 states to-- for access to early childhood education programs for 4-year-olds. However, we ranked 44th out of 44 schools in state dollars spent per child enrolled in early childhood education. Because early childhood education is one of the best investments we can make in economic opportunity for all Nebraskans, we support additional dollars going to those programs. First, early childhood education programs are widely recognized as an effective tool to boost achievement. A random, a random assignment-- experiment conducted by the Perry Preschool Program [SIC] in Michigan, started in the 1960s and followed students through age 40. In its study, researchers found that participants in the preschool program were more likely to have higher earnings, lower public assistance, and lower rates of criminal activity than children in, in a control group that did not receive early childhood education. Early education programs are particularly beneficial to at-risk students. Nebraska boasts a high graduation rate. However, significant gaps exist for students in foster care and English language learners. If Nebraska wants to further strengthen the education system, we should focus on, on stimulating those educational attainment disparities, and early childhood programs are a proven means of doing so.

**MURMAN:** Thank you. Any questions for Ms. Knoche? Senator Hughes.

**HUGHES:** Thank you, Chairman Murman. Thank you, Ms. Knoche. You-- you're pretty familiar with TEEOSA and school funding, even doing this at Open Sky [INAUDIBLE]. Can you and this is just maybe for my information, there-- preschool is counted at 60% because of the kids that are not full-time students, right. Is that the--

**CONNIE KNOCHE:** Well--

**HUGHES:** Is that why the--

**CONNIE KNOCHE:** Well, they're already weighted by the number of hours they're in the program.

**HUGHES:** They're already weighted by the number of hours.

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**CONNIE KNOCHE:** Yes.

**HUGHES:** And we're taking another like a 60% off of that?

**CONNIE KNOCHE:** Off of that, yeah. And--

**HUGHES:** Do you know why it was put in that way?

**CONNIE KNOCHE:** Well, when this was first put in several years ago, there, there was weighting by grade ranges. So kindergarten students were weighted at 0.5. And then--

**HUGHES:** Because at the time, most schools were half-day kindergarten? Is that why?

**CONNIE KNOCHE:** Because at the time they were weighting kids--

**HUGHES:** Yeah.

**CONNIE KNOCHE:** --you know, in the formula. But then that changed over the years to this basic funding per student, and then there was a cost group cost per student. And so, it moved away from that, but the early childhood students just stayed at 0.6. So it's, you know, they're reduced twice, I guess, but.

**HUGHES:** Yeah.

**CONNIE KNOCHE:** And it's not a significant fiscal impact. I believe the fiscal note said \$1.9 million for that.

**HUGHES:** Yeah, 2.9.

**CONNIE KNOCHE:** \$2.9 million. Yeah.

**HUGHES:** OK. Thank you.

**MURMAN:** Any other questions? If not, thank you. Good afternoon.

**KATHY POEHLING:** Good afternoon, Chair Murman, Education Committee. I'm Kathy Poehling, K-a-t-h-y P-o-e-h-l-i-n-g, and I am the president of the Omaha Education Association and a board member for the Nebraska State Education Association. I'm here today to ask you for additional funding for early childhood education. I spoke to the Education Committee several times, and one of the things I talk about all the time is preschool. We need more funding for preschool. It gives our students an advantage when they enter, enter kindergarten. I'm going

to read testimony from one of my teachers today. She's an early childhood teacher in OPS. Her name is Joanna Fitch. I've taught early childhood for 19 years. Throughout this time, I have been an early childhood self-contained teacher, a special education teacher in a co-taught classroom, and now I'm a general education teacher. Each year, I'm so lucky to get to know 20 students, and some of these students I have for 2 or 3 years. Each year, I always say I need to take some short videos of the first day of school because the growth the children make is amazing. By mid fall, their independence and confidence has grown so much, and it's often hard to remember how crazy those first few days are. A major part of early childhood is getting children ready for kindergarten. Preparing them for kindergarten isn't just about academics. It is about teaching them how to be a student. In talking to kindergarten teachers, they are noticing a huge difference in their incoming classes. Due to the teacher shortage, several early childhood classrooms have had to close. That-- this means that kindergarten is now many students' first exposure to school. That is often problematic due to larger class sizes and fewer adults in the classroom, as well as more rigorous curriculum. They're having to go back and teach their students how to sit like a student, how to zip their coats, carry their backpacks, how to be a good classmate, as well as all of the academics they missed out by not being in an early childhood classroom. I have many success stories. One of my favorite is about a little girl who had never been in any educational setting. The first couple of months were difficult. There was a lot of her running around the room, saying inappropriate things, and a lot of reteaching of skills. By the end of the year, this student was the student of the month. She is now in first grade and excelling. I have a student this year who spoke no English and had never been away from her parents. It was a great deal of crying each day and assuring her that her mom and dad would be back. She is now speaking English and no longer asks about her mom and dad constantly. Early childhood is also an opp-- also an opportunity to figure out if certain children may need additional help with special education services. We can get this up and running before they begin kindergarten. All children deserve a structured classroom where they can feel successful. It is so devastating the number of children who are on a wait list to get into a classroom. Some of the families whose children are on wait lists can afford a high-quality preschool or childhood-- care center. However, many families on the wait lists cannot afford this. We need to get these early childhood classrooms back up and running so all students start kindergarten on equal footing. That is what our children deserve.

**MURMAN:** Thank you. Any questions for Kathy? If not, thank you for your testimony. Other proponents for LB161.

**KAREN KLOEPPING:** Good afternoon. My name is Karen Kloepping. That's K-a-r-e-n K-l-o-e-p-p-i-n-g. And I am the pre-K teacher at Eustis-Farnam Public Schools in Eustis, Nebraska. I'm here today to urge you to vote for LB161. Eustis is a small town of about 400 people. Many of our students live on farms, so we have a lot of land, but not a lot of tax dollars. The town has one daycare, which includes a half-day preschool taught by uncertified staff. Adding a preschool to our public school last year was much needed. To start the preschool, we increased our tax levy and were able to get a grant, but our current pre-K funding still relies almost entirely on a grant. I mentioned earlier how much a full day pre-K program was needed for the children of our town and district. Now I want to share the journey of one of my students with you. The first day of school, one little girl came in clinging to her mom. She had never been to school or daycare before, so this was all brand new. She spent the morning hiding under my back table watching all of the other students. Luckily, in pre-K, we have a full-time para, and she spent the day checking on this girl. She comforted her, talked to her, and encouraged her to come out and join the class. By lunchtime, she came out but did not say a word. For the rest of the day, she watched what the class was doing from a distance. Everyday following, the para would talk the girl out from under the table. After a couple of weeks, she would get close to her table spot and close to her spot on the carpet. After a couple more weeks, she finally sat in her spots at the table and on the carpet. Then she started saying a few words to the para and was willing to do a little work. That's when we learned that she could not recognize her name, she did not know any letters, numbers or shapes, and could not hold a pencil or crayon or cut with scissors. Since this is pre-K, we focus on those basic skills. Being exposed to letters and numbers during large group activities and intentional play has allowed her to develop pre-reading and math skills. Through small group work, she had the opportunity to work on her writing her name, holding a writing utensil, and using scissors. Now, 6 months into school, this little girl can accomplish a lot of what we want to see her do at her level. She can spell and write her name, count and recognize numbers to 11, recognize some letters, decipher beginning sounds and words, and she loves to play and talk. Without the pre-K program, this girl would have come to kindergarten not being able to find her name on her desk and have been expected to start reading. This program truly is a needed part of our Nebraska state education system. Thank you for



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behind-- for your time. On behalf of all our young students, I urge you to support LB161.

**MURMAN:** Thank you. Any questions for Ms. Kloepping? If not, thanks-- oh, wait a minute. Senator Conrad. Sorry.

**CONRAD:** Sorry, one sprung to mind. Sorry. Sorry. Thanks, Chair. Thank you for being here. You know, I was looking at some reports over the weekend, and then was reading some news from the State Board of Education, where they were trying to get a stronger assessment, kind of where our state is, in terms of things like reading and whether or not we're hitting our marks or falling behind or how we compare to our peers. And we've received some new grants, and there's some exciting new strategies out there for curriculum and technique changes to try and help more kids be at grade level at age 3-- or grade 3, for example. Because we know if-- that's a key milestone that sets them on a good trajectory for academic success and life success. And we've talked a lot about how across the political spectrum, you know, having a good education is one of the best determinants for a strong family and a good job and keeping costs down in our correctional systems. And the list goes on and on and on and on and on. So I think that's something that we're really, really all committed to, regardless of where we come from in Nebraska or where we fall on the political spectrum. But how important is the early childhood component of, of all of this, in making sure that our kids have every opportunity to meet those early milestones for things like reading?

**KAREN KLOEPPING:** So pre-K, I feel, is especially important. Because as I mentioned, when they start kindergarten, they do, you know, a first 2 weeks review of what letters and numbers are, and then they start reading. Can you believe that? They start reading in kindergarten. And so if a child comes in not having any exposure to that, then they're having to go back and receive Title I services or in some cases, those special ed services, which cost us more money to build those foundational pre reading skills of learning the letters and sounds or learning what a number is, how to count objects. Beyond that, you mentioned like the correction-- correctional facilities. Early childhood and pre-K focuses a lot on play-based learning and developing those social-emotional skills. So I could tell you about one little boy who, clearly, he knows his letters and numbers. He's fine. He could do great that way in kindergarten. But he did not have the social-emotional skills. He picked on the other students. He rushed to get his work done because he had to be first. He was bigger and stronger than the other students and he would tackle them and pull

them down. But through that play-based learning and through those supports that we're able to do in early childhood supporting those social-emotional developmental needs, he's worked to be a very empathetic child. He's one of the first to go and comfort somebody if they fall on the playground and get hurt. He's right there. He is willing to help the other students because he knows, oh, I know this stuff. I can help teach them. Instead of rushing through my work, I can be there to support other students. So I think some of those things in early childhood are really key that we don't have the time to focus on with the push for early academics in kindergarten and beyond, that it's still there now in early childhood that helps them develop play, and interacting with each other in polite ways, and just being able to talk to other people that maybe we don't get a lot of with all the devices and activities anymore. Does that answer your question?

**CONRAD:** No, that's very, very helpful. And I think, you know, sometimes there's a misconception about what early childhood education is and is not. And, you know, I was definitely blown away watching my kids' early childhood education experience, which was beautiful, but, but also pretty intense from an academic perspective. And I know sometimes people think, oh, it's kind of babysitting or glorified babysitting, as if somehow that's not a good thing to have caring, talented people take care of our children. But it's, it's really very carefully designed to ensure that kids do really have both the social skills to succeed in school, and the academic knowledge to hit the ground running when they, when they show up at kindergarten. So that makes it easier for the teacher, the other kids in the class, gives that kid more confidence.

**KAREN KLOEPPING:** Yes.

**CONRAD:** It just-- it really hits on a lot of level, I think. And it can be surprising if you haven't maybe seen an early childhood education program in, in a while.

**KAREN KLOEPPING:** Yes, I'd encourage you to go in and ask to see an hour in a pre-K classroom or early childhood classroom. I'm sure any teacher would welcome you in. And as you mentioned about assessment and learning where our--

**CONRAD:** Yeah.

**KAREN KLOEPPING:** --students are at, so pre-K, if you are government funded, requires you to use the Teaching Strategies Gold Assessment, which covers 38 standards. Some of them are academic-based and other are social-emotional, and even motor-based, like fine motor skills growth, gross motor skills, things like zipping your coat, those basic skills of caring for yourself. So we have to analyze the students throughout the year. 3 times a year, we submit data to the state to show what progress they're making, and that also helps identify where they're at going into kindergarten, and if they have those pre-learning skills to be on track, or if they're going to need supports or need supports already in preschool, or if they might be able to get into a gifted program, things like that, to help us learn before even mainstream schooling.

**CONRAD:** Yeah, I remember reading some of those assessments, those, those Golds. And they are-- they're thick. There's a lot of information.

**KAREN KLOEPPING:** Yes, they're thick. They're very detailed.

**CONRAD:** Yes. Yeah. Cool. Thank you. Thanks, Chair.

**MURMAN:** Any other questions? If not, thank you for your testimony.

**KAREN KLOEPPING:** Thank you.

**MURMAN:** Other proponents for LB161?

**SHANE RHIAN:** Good afternoon, Chair Murman and members of the Education Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I am the chief financial officer for the Omaha Public Schools. I'm here today on behalf of the Omaha Public Schools in favor of LB161, which would redefine formula students under TEEOSA. LB161 would alter the calculation of formula students for each district under TEEOSA. It would increase the calculation for qualified early childhood education formula students from 60% per child to 100% per child. This change will allow for more funding for early childhood education programs offered by school districts statewide. The research is clear that early childhood programs offer tremendous benefits. Early childhood education programs help children develop social skills. Rather than being at home all day, children are exposed to other children and adults outside of their families. Children who take part in an early childhood education program are better prepared for the transition to formal elementary school and more likely to be successful during the

rest of their educational journey and as adult members of our communities. Children who receive early childhood education are 25% more likely to graduate high school and 4 times more likely to complete a bachelor's degree. Early childhood education programs give parents a safe and secure place where their children are taught and cared for during the day. Children who receive early childhood education are more likely to grow up and contribute positively to their communities and workplaces. For all of these reasons, we support LB161. We are appreciative of Senator Juarez's willingness to introduce this legislation and would encourage you to advance LB161. I'd be happy to answer any questions.

**MURMAN:** Thank you. Any questions for Mr. Rhian? If not, thank you for your testimony.

**SHANE RHIAN:** Finally, some positive testimony.

**MURMAN:** Other proponents for LB161?

**JEN GOETTEMOELLER WENDL:** Good afternoon, Chair Murman and members of the Education Committee. My name is Jan Gottemoeller Wendl, J-e-n G-o-e-t-t-e-m-o-e-l-l-e-r W-e-n-d-l. I'm a contract lobbyist for First Five Nebraska. Thank you for the opportunity to be here today in support of LB161, and also to Senator Juarez for pursuing policies that support our youngest learners. If we were to re-envision school funding based on what we know about child development and how children learn, we would have implemented LB161 a long time ago. We've already heard a little bit today about the importance of early childhood education. I, I just want to take a moment to point out to you that it is the interactions between a child and whoever that they're with that build the foundation for all the future success we have in learning. So, it's not flashcards or learning our ABCs, it's not learning how to correct-- correctly count in sequence or knowing how to write your name by a certain age. Developing self-awareness, the confidence to explore acceptable behavior, listening skills, phonological awareness, the foundation for these skills and many, many more are all built through interactions. And those interactions do not start in kindergarten. Let me give you a quick analogy for how the architecture of our brains are actually built. OK. So I want you to think of a tennis court. One player hits the ball to the other side of the court and the other player hits it back across the net. Right. We all know how tennis is played. It's the serve and return nature of the game, and that is literally how our brains are built. I think all of you have children and some of you even have grandchildren. So if you think

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about a baby, when they smile at you, it's like they're hitting the tennis ball to your side of the court. And when you smile back at them, you hit the ball back to their side of the court. And then they coo at you or babble, and you say something to them in words like, look how big you're getting. You're sending the ball back to their side of the court. And it's that, that serve and return nature that literally builds the architecture of our brain. So the more interactions that we have like that by the time we're 5 years old, the more that our brain architecture goes from being like a dirt road, to a gravel road, to a paved road, to a highway, to a superhighway. Those serve and return Interactions can and should happen in all types of environments, no matter where kids are. So maybe they're at home with a parent or a grandparent, in a childcare program run out of someone's home, in a childcare center, in a preschool-based program. What's important is that we make sure the policies and the systems are in place so that no matter which of these environments parents choose, their child receives good serve and return interactions that builds-- that build their good brain architecture. So LB161 would solidify an important piece of that system. Our education funding practices should reflect what we know about child development. Our current funding system, as you have heard already today, weighs K-12 students at 100%, while our youngest learners, at the very time the entire foundation for their future learning is being set, are only weighed at 60%. Senators, with all due respect, we have it backwards. We should invest more up front when the foundation is being set, during the time we can have life-changing impact. Included in my written testimony, you'll see a handout of a list of school districts that would benefit from this policy change. You might ask, what about other districts? What about school districts in my legislative district that aren't on this list? How do we make sure they're getting the funding that they need for their preschool efforts? So I've also included a, a, a recommendation at the end of my written testimony that you can take a look at. I'm running out of time here, I see. So I will just say that in addition to adjusting the early childhood student weight to 1.0, there is one other policy change we can and should make that would allow every school district in the state to be able to benefit from LB161. But LB161 is a good first step, and First Five Nebraska urges you to advance it and invest early when the foundation for all future learning is being set, where we get our best return on investment. Thank you.

**MURMAN:** Any questions for Jen? Yes, Senator Conrad.

**CONRAD:** Thank you, Chair Murman. Hi, Jen. Good to see you.

**JEN GOETTEMOELLER WENDL:** You, too.

**CONRAD:** Jen and I started our careers together a long time ago, but neither of us--

**JEN GOETTEMOELLER WENDL:** That was many lifetimes ago.

**CONRAD:** Neither of us has aged a day, so we won't talk about that. But quick, quick question. As I was looking at this-- and I, I know we've heard similar proposals in the past, and I think this is a, a really worthy effort. But-- and I know every dollar is precious and we're in a crunch, so there's a lot of competition for each of those precious dollars and investments that are before us. But the fiscal note on Senator Juarez's bill is-- I mean, it's significant, but it's not huge. It's like, what, \$2.9 million, \$2.7 million, something like that?

**JEN GOETTEMOELLER WENDL:** I thought it was 1.9, but--

**CONRAD:** 1.9, sorry.

**JEN GOETTEMOELLER WENDL:** --I did hear 2.9 as well.

**CONRAD:** 2.9 I think it was [INAUDIBLE]. OK. So, you know, a little shy of \$3 million, which, again, is, is not nothing, of course. Each of those dollars are precious. But then you passed out the list of schools that would be impacted by this, which is a very long list, and of schools of all sizes-- urban--

**JEN GOETTEMOELLER WENDL:** Right.

**CONRAD:** --rural, large schools, small--

**JEN GOETTEMOELLER WENDL:** Very small, mm-hmm.

**CONRAD:** --small schools. So what I'm-- and I know because it's connected to the formula itself. But actually, as I was looking at this, I was like, I know every bit counts. I know every dollar is precious. But what, what, what are we really getting for a \$3 million investment? Are we just allowing for more early childhood classrooms in these, in these different districts? Are we bringing class sizes down? Are we-- do you have a sense about what that investment represents?

**JEN GOETTEMOELLER WENDL:** So I think each school district may have a little bit of a different answer to that, right. I guess I'll just say that by, you know, allowing school districts to have more funding for their early childhood efforts, the list of benefits, as you know--

**CONRAD:** Right.

**JEN GOETTEMOELLER WENDL:** --right, is just, is just huge. So I would just say in response to the every precious dollar, right, question that we have before us, we know we still have some balancing to be done when it comes to foundation aid and valuations and how we work through all of these things. You guys have to take the first, you know, crack at that, and of course, the, the full body has to be engaged in those conversations. While we're figuring that out, I think the one thing that we can all agree on is early childhood education. And it's that adjusting the, the student weight and then even going a little bit further, which would cost some more dollars, as well, but, but allowing all school districts, whether they're equalized or not, to be able to receive their early childhood calculated state aid. So it's very technical and I don't really get into all that.

**CONRAD:** No, I think that's really helpful. So this list that you passed out here, these are the school districts that already have an early childhood programming base?

**JEN GOETTEMOELLER WENDL:** There are many more school districts--

**CONRAD:** There's more than that.

**JEN GOETTEMOELLER WENDL:** --than that list--

\_\_\_\_\_ : Way more.

**JEN GOETTEMOELLER WENDL:** --that have--

**CONRAD:** That's what I was thinking.

**JEN GOETTEMOELLER WENDL:** --an early childhood program. And I mean almost all of our school districts do OK. These are the ones that are going to be able to very directly benefit by LB161. Some of them will not benefit by LB161 because they are nonequalized and the way TEEOSA works, they don't get their early childhood calculated state aid.

**CONRAD:** Yeah, I got it. That's--

**JEN GOETTEMOELLER WENDL:** So that's kind of the flip side of the coin that is included at the very end of my testimony because we know those school districts are putting in their own resources and really do need some assistance on the early childhood front. But this bill is targeted to districts who are equalized, who would be able to receive some additional funding by that student weight going up with LB161.

**CONRAD:** OK. That's really helpful.

**JEN GOETTEMOELLER WENDL:** Does that make sense?

**CONRAD:** Yes, it does make sense.

**JEN GOETTEMOELLER WENDL:** OK.

**CONRAD:** Because I was just thinking I wasn't understanding how this list compared to who-- yeah.

**JEN GOETTEMOELLER WENDL:** If it's helpful for you, I can certainly give you a list of all the school districts who have early childhood programs, if that would be helpful.

**CONRAD:** And perhaps on the--

**JEN GOETTEMOELLER WENDL:** These are just the ones that, that would benefit.

**CONRAD:** --just don't fully paint the picture in our districts that don't, so that we can understand--

**JEN GOETTEMOELLER WENDL:** True.

**CONRAD:** --perhaps, what barriers they are facing.

**JEN GOETTEMOELLER WENDL:** Where the gaps are, if we have-- mm-hmm, or why they don't or why they have a little bit of an early childhood program but they really want to do more, because they have many more families that are on the list.

**MURMAN:** Any other-- Senator Lonowski.

**LONOWSKI:** Thank you, Chair. And thank you for being here. So the schools that aren't on here, does that just mean that they're not members of, of the First Five program?



**JEN GOETTEMOELLER WENDL:** Oh, no. Did you say the schools that are not on that list?

**LONOWSKI:** Right.

**JEN GOETTEMOELLER WENDL:** So the schools that are not on that list are nonequalized. And so even though they have an early childhood program that is a school-based program that the school is running, they don't receive any early childhood calculated state aid, which is a component of TEEOSA.

**LONOWSKI:** OK.

**JEN GOETTEMOELLER WENDL:** So they can still be meeting the same qualifications, providing the exact same service that the town down the street or down the road or a 100-mile-- across, across the state is offering. But because of their equalization status, they don't receive any early childhood calculated state aid. So that's the other component we just want to keep in mind as we're making these decisions.

**LONOWSKI:** Thank you.

**MURMAN:** Any other questions? If not, thank you for your testimony.

**JEN GOETTEMOELLER WENDL:** Thank you.

**MURMAN:** Other proponents for LB161?

**GARRET SWANSON:** Chairman Murman and members of the Education Committee, my name is Garret Swanson, G-a-r-r-e-t S-w-a-n-s-o-n, and I'm here on behalf of the Holland Children's Movement in support of LB161. Good afternoon, Senators. Thank you for taking the time to hold this hearing and show that you care about the development of children here in Nebraska. Over the past few sessions, there's been a lot of conversation about school funding formula, TEEOSA, as it pertains to property taxes and providing the most resources possible to Nebraska Schools. Early childhood education is often left out of that, that conversation. That is why we thank Senator Juarez for bringing this legislation to the committee. The first 5 years of a child's life are incredibly important. According to the National Institute of Health, by age 5, a child's brain will reach 88% of its adult weight, up from 26% at birth. Long-term studies have been developing over several decades, such as the Chicago Longitudinal Study and the National Institute of Child Health and Human Development Fund Study, have shown

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that quality childhood care provides many different benefits. Children with access to quality early childhood education have better educational outcomes, are less likely to commit crimes, and are more likely to climb the socio-economic ladder. These are just a few of many different benefits. In a poll of over 600 Nebraskans conducted by our sister nonprofit, the Holland Children's Institute, 61% of Nebraskans agreed that increasing the availability of quality early childhood education programs to be an extremely important or very important part of the state budget, while 27% labeled it as somewhat important. I'm sure you have all hit the campaign, campaign trail and have been told the importance of this issue. And then also, it has been a big topic of discussion. Thank you again for your time, Senators. And we urge this bill to be voted out of the committee and onto the floor.

**MURMAN:** Thank you. Any questions for Mr. Swanson? If not, thank you for your testimony.

**GARRET SWANSON:** Thank you.

**MURMAN:** Other proponents for LB161? Any opponents for LB161? Any neutral testifiers for LB161? If not, we will waive closing. Online, there were 13 proponents, zero opponents, and 1 neutral. And with that, we'll end the hearing for today.