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COMMITTEE ON EDUCATION
January 24, 2005
LB 418, 199, 198, 197

The Education Committee met at 1:30 p.m. on January 24, 2005, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB 418, LB 199, LB 198, and LB 197. Senators present: Ron Raikes, Chairperson; Dennis Byars, Vice Chairperson; Gwen Howard; Gail Kopplin; Vickie McDonald; Ed Schrock; and Elaine Stuhr. Absent: Pat Bourne.

SENATOR RAIKES: (Recorder malfunction)...and welcome to this our second hearing of the Education Committee of the Nebraska Legislature, Ninety-Ninth Legislature, First Session, I believe. Welcome. We're happy to have you here. Today, we're going to deal with four bills. They're posted on the outside. We'll deal with them in the order posted, which is LB...reverse numerical order. LB 418, LB 199, LB 198, and LB 197. We are, by popular demand, going to continue with our light system. We're moving from three minutes up to five minutes. Again, once you introduce yourself and spell your name--and by the way, be sure and fill out one of the forms, and they're on the back corners of the room, and throw it in the box--we will give you five minutes for your testimony. You'll be warned by a yellow light when you have a minute left, and then a red light right before the explosion goes off. (Laughter) We appreciate your using that as a guideline. And again, the reason we're doing it is to try to make the best use of everyone's time, to allow as many people as...who would like, to testify, and then also to honor the time of those of you who are here to listen. I will tell you a little bit about our hearing schedule. We are trying to group bills in topic areas. And this today is annexation. Tomorrow will be school finance. So there is some intended method to this madness. We're trying to put them in together in a way that we can bring folks that are interested in certain topic areas to make efficient use of their time as well. I will proceed with introducing our committee to you. To my far right will be Senator Bourne. He may be off introducing another bill at the outset. Next to Senator Bourne is Senator Gail Kopplin, from Gretna, Nebraska. Then we have Senator Elaine Stuhr, Bradshaw. Tammy Barry, to my immediate right, is our legal counsel. I am Ron Raikes, from District 25. To my left is our Vice Chair, Senator Dennis Byars. Well, he will be there. He's actually not

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there right now. District 30. Next to Dennis, to his left, will be Senator Vickie McDonald, who is, as I understand it, a new resident of St. Paul, which is still in her district, in case you are worried. I don't think you should be. Next we have Senator Gwen Howard, from Omaha. Then Senator Ed Schrock, from Elm Creek. And finally, Kris Valentin, our committee clerk. So again, this early, maybe I should quickly review the procedures. We have an introducer, proponent testimony, opponent testimony, and neutral testimony, followed by a close, before we move on to the next bill. So, cell phones, please control those. I think I've covered it. If not, maybe it will come up as we go. So, to begin, we have LB 418, and Senator Kremer. Yeah, you have to get up here. We're not going to let you...welcome, Senator Kremer.

LB 418

SENATOR KREMER: (Exhibit 1) Thank you. For the record, my name is Senator Bob Kremer, from District 34, spelled K-r-e-m-e-r. Senator Raikes and members of the Education Committee, thank you for allowing me to come and present this bill today. To those of you that are new on the committee, it's a bill that has been here before, but somewhat changed, to try to make it so it works a little better. But today...but the intent of LB 418 is to create a fairer way to deal with the expansion of city school districts. LB 418 allows option students to attend a school having a signed annexation agreement with a city district. It also provides for the school boards of the territory involved in an annexation to negotiate as to which school district will serve the annexed territory. If, after negotiating, no agreement is reached within 90 days, the decision as to which school district will serve the annexed territory will be determined by arbitration, in accordance with the Uniform Arbitration Act. The cost of arbitration will be shared by the affected districts. Currently, the annexed territory transfers to the school district of the annexation city, if the agreement cannot be reached in 90 days. When a territory is platted--another section of the bill--or replatted within the zoning jurisdiction of a city of the first or second class, and does not lie within the boundaries of a Class IV or V school district, and after 30 days of negotiating period no agreement is reached, then

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arbitration procedures will...described as in annexed territory. LB 418 also provides that when territory is merged with a Class IV school district, the merger is effective on June 1 of the year following the first full school year of the merger. And this currently applies when mergers into the Class III school (inaudible) IV and V. Well, that's the bill as it is written. But we do have an amendment that we'd like to submit to you, that removes all references to the Class IV schools, which is really Lincoln. A little bit of history. The current law right now says that Class V school districts, which is Omaha, the boundaries do not move with an annexation. Class IV districts, the boundaries always move with the school...with city annexation. The Class III, IV, and...okay, Class I, II, III, and VI's say that the boards negotiate in good faith as to whether boundaries move or don't move or move partially. And then if they cannot reach an agreement, the boundaries automatically move with the annexation. And this has not been working very well. We're trying to come up with something that would be a little bit more uniform across the state. All the states around us, the school districts do not move with the annexation. If the city annexes, which they should be able to do, the school the city annexes, the school districts stay the way they are. And I think there are many times that the school districts should move with the annexation, sometimes partially, sometimes not at all. But when the power is all in the city district, that if they cannot negotiate a settlement then they automatically move, where we hope that if that happens, that it could go to arbitration. In each case, when the city, in the bill on it...the way it's written, that when the boards negotiate, there are five criteria. Originally there was four, but we added another one, and I'd like to read that criteria to you. And also, the platting and the replatting, they use the same criteria. If they cannot reach an agreement, then if it goes to arbitration, the arbitrators use those same five criteria. Number one, the educational needs of the student in the affected school district; number two, the economic impact upon the affected school districts; number three, any common interest between the annexed or the platted and the affiliated school districts and the community, which is...has a zoning jurisdiction over the area, all these things, any common interest should be taken into consideration; community educational planning; and fifth, the building usage and

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planning. Right now, if it's a Class school...VI school district, the annexation cannot take in the buildings. They would still stay with the Class VI. But other than that, I think it could even take over the buildings. Like I said...well, here's the amendment that we'd like to have passed out to you, that would remove the Class...reference to all Class IV's in there. And I...as I look at it...let me give you another...go back a little bit. The first draft that we had was that if agreement could not be reached then it would go to a vote of the people, which didn't really make a lot of sense, because Lincoln was involved in that, and every time they annex something it would have had to go to the whole district to vote on that, and it just was not practical, was not going to work. Then we did add...change it a little bit on the second draft, that...I think two years ago...that it would only take place at the general election or the primary election, so it would not have to be so many elections and costly like that. And then, feeling that that really wouldn't work, and trying to come up with something that would be more compatible, and things work a little better, that if the agreement couldn't be reached then we'd go to arbitration, using the criteria that was had...that I presented to you. One other thing, and then Tammy brought this out, that there's a...probably a couple words that need to be changed if you would...if you do adopt the amendment that I have, that could be included in this. On page 3, line 26, when we're talking about annexation and it refers to platting on there, and that should be removed, because when we're talking about annexation, it should be, these criteria are used only when it's in the annexation, not the platting. And then, likewise, when we got over to when it was platted or replatted, it refers to annexation. On page 6, line 16, it says annexation or platting, and we're only talking about platting there, so the annexation should be removed from that. And that's what I understand Tammy's suggestion, that maybe that be clarified a little better, not referenced one and the other one; they're each addressed separately, so. Section...the amendment that we have, then, besides removing all the references to Class IV, it removes Section 3 altogether, where it talks about when a territory is a Class IV or V, that it does not become effective until June 1, so that does not apply when we take the Class IV's out of there. So Section 3 is completely removed, and then all the other references to a Class IV school. I hope that covers everything. If you have some

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questions, I'd be glad to answer them. I think that we need to do something to try to relieve some of the pressures and the contention that's happening when we have cities that are annexing, and the school boundaries, so.

SENATOR RAIKES: Thank you, Senator Kremer. Senator Schrock.

SENATOR SCHROCK: Why don't we just put an amendment on here, Senator Kremer, and unify them? I mean, if Sandy Creek and Superior can...which, they're, what, 50 miles apart? They're unified. And here we got two school districts that...kind of like this, you know. Let them...they each have their individual board, but then they have a superboard that would take care of the money. And why don't we just do that?

SENATOR KREMER: I'm not sure the unification has really been that effective. But then, I...and so...

SENATOR SCHROCK: Works well. In Unified District Number 5, and there's a lot of distance there.

SENATOR KREMER: I don't think it saved any money. I think it was a way to get them to working together one time, or...you know, for an interim step till something else, so.

SENATOR SCHROCK: Well, you said the key word.

SENATOR KREMER: Well, I...

SENATOR SCHROCK: It's a way to get them working together. We're having a problem with that here, aren't we?

SENATOR KREMER: That's what's been happening. And really, the...most of the Class VI were formed when the city districts did not have the capacity or whatever, did not take them in. So then they formed the Class VI's. And of course, if we dissolve the district...or, the Class I's, that will make a difference in the structure, too, on the Class VI's, so.

SENATOR RAIKES: Senator Stuhr.

SENATOR STUHR: Yes. Did I hear you state that all of the

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surrounding states, the districts do not move with the annexation?

SENATOR KREMER: That's my understanding, that there was a survey done, I think last year, or whenever we introduced it before, and it said all of the surrounding states.

SENATOR STUHR: All of the surrounding states.

SENATOR KREMER: Yeah, and Omaha does not either.

SENATOR STUHR: Yes. Right.

SENATOR RAIKES: Senator, you mentioned something about the treatment of option students that would change? Or did I miss...?

SENATOR KREMER: Well, I think in the bill, on...I don't remember which page. I think...and I ask you about this, because I think at one time, when there was the agreement, the contract, there was...option kids were addressed differently. Okay, I...I don't know if I can...

SENATOR RAIKES: Oh, page 2, then, is what you're...page 2, lines 15 to...

SENATOR KREMER: Yes. Yes. And I was told that that was unnecessary.

SENATOR RAIKES: It's obsolete language because of the demise, I guess you will, of the contractual arrangements.

SENATOR KREMER: Because it's an...it's not the contractual arrangement that it was before, is my...

SENATOR RAIKES: Okay.

SENATOR KREMER: That's my understanding.

SENATOR RAIKES: Another...excuse me, Ed.

SENATOR SCHROCK: Senator Kremer, can you or somebody out there furnish us a map with the school district boundaries for Hall County and the city of Grand Island, that we...

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SENATOR KREMER: I don't have it. I'm not sure anybody else was prepared for that or not.

SENATOR SCHROCK: I'd be interested if somebody had that and could get some copies to us.

STEVE JOEL: We can get it to you. (Inaudible)

SENATOR SCHROCK: Can you do it today?

SENATOR KREMER: You know, I guess Grand Island may be a little unique in this, in that a lot of Grand Island and the Northeast district is really already housing, where I think of...most of Lincoln's annexation is going out into new territory, just into an area where there's no houses, where Northwest, that's where there has been houses for some time, and then they annex into that property. And another interesting fact is that 70 percent of the kids--it was 60, and it's getting up close to 70 percent of the kids in Northwest are option students right now, because they still desire to go there, but then the territory has been annexed, so they still go to that school. And I think this is...makes it tough for both schools when it comes to bond issues. Grand Island Northwest had a bond issue a year ago, or maybe two years ago, where actually 30 percent of the students that are there within the district are really paying the bonds for the facilities of the school. And right now, Grand Island Senior High is needing to expand, and has a bond issue coming up, hopefully soon. But when you have, you know, 600 kids or so going to to the other school, they're not very likely to vote for a bond issue where the district that they live in but the kids do not go to that school. So I think it...I think that if we can do anything to make things work more smoothly for both schools, and...that I think everybody would be ahead in the whole communities.

SENATOR RAIKES: I was going to ask you, you mentioned there have been problems. Is the optioning the problem that you're most concerned about? Problems with the procedure that's now in statute?

SENATOR KREMER: I'm not sure that it's optioning, because I think that's been going...I think that there's agreement on both sides, you know, to the option...to accept the option

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students. I think it's just more the structure, and even the...and the patrons, that they be in the district where their kids go to school would be preferable.

SENATOR RAIKES: Okay.

SENATOR KREMER: Especially when it comes to support of the buildings and the bond issues and things like that. I think when the Grand Island Northwest had their last bond vote, there were a number of people, like, I won't quote the number because I can't remember for sure, but a number of people went to vote because their kids were at school there, thinking that they could, but they found out they did not live in that district. So I think it's confusion, somewhat.

SENATOR RAIKES: Okay. See any other questions? Thank you, Senator Kremer. You going to stick around?

SENATOR KREMER: Thank you. I think I'll stick around (inaudible).

SENATOR RAIKES: All right. Good enough. Okay. We'll move to proponents. The first proponent for LB 418. Bill.

BILL MOWINKEL: (Exhibit 2) Good afternoon, Education Committee. My name is Bill Mowinkel, superintendent of Northwest High School. M-o-w-i-n-k-e-l. I'm here asking for your support in the advancement of LB 418. For several years, we have come to support legislation that would have set school district boundaries, each year with no success. This bill still does not set school district boundaries, but it does offer a process to follow if negotiations break down. I have developed the folder you received, to view at your discretion, on our latest negotiations with Grand Island over two areas that were annexed last summer. Our school board and I felt it would be a good time to try to reach an agreement through negotiations under present law. Walmart was coming to our community with two super centers, one to be built in Grand Island District 2, and the other in the Northwest district. That would appear to be fair. Grand Island then annexed the 40 acres where one Walmart is to be built, along with a proposed new housing subdivision on the other side of Grand Island. No students were involved in either annexation, just valuation growth. We offered a split between the residential and commercial

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property. Again, no agreement, even though there are two such agreements in effect presently. We have tried repeatedly for three years to negotiate in good faith to reach an agreement after each annexation. But each time, due to delays, no agreement has been reached, thus allowing all annexed property to enter School District Number 2. You will hear that if this law was changed it would create an inner-city school district. Define what inner-city means, and then place that standard on any district with multiple attendance centers, and in all probability it already exists in certain attendance centers. You will here there is recruiting taking place. Well, is it recruiting when three buildings which were a part of our district are annexed and taken over by District 2? Those students have traditionally attended Northwest and were..are within 1.5 miles of our building. We are their neighborhood school. The same is true of our largest elementary. It has been the neighborhood school for areas south of the Union Pacific Railroad. So yes, those students do option into our K-12 system. I do not apologize for that. That is what is meant by a neighborhood school. Due to a lack of a meaningful negotiations, students need to option to Northwest if they live inside of a distance of three miles to the south and one mile to the west. Yes, what you may be thinking is true, if you walk to school from across the street in front of us, North Road, to our building, you are an option student at Northwest. All valuation from those areas are assigned to the Grand Island District 2, and Northwest educates 459 students at no local effort to District 2 at all. In closing, that is why I believe you need to advance this bill, to ensure meaningful negotiations take place. It will not mean Grand Island's valuation cannot grow. It also does not mean Northwest will shrink every time there's an annexation. This is not a Grand Island problem, as I believe Minden, Axtell, and Sutton and Harvard are also facing these same issues. Put negotiations back in the process. What reason is there for any negotiations to take place when one district received all the valuation if no agreement is reached? In the back of your folder, there's also a parental satisfaction survey we took at parent-teacher conferences. And I think it demonstrates very well that people are extremely happy with Northwest. And that's why so many students option to us, other than we are their neighborhood school. I'll accept any questions.

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SENATOR RAIKES: Thank you, Bill. Questions for Bill?
Senator Schrock.

SENATOR SCHROCK: I just tell you, my daughter-in-law is a graduate of Northwest, so.

BILL MOWINKEL: She received a very good education. (Laugh)

SENATOR RAIKES: Bill, you described yours as a K-12 system?

BILL MOWINKEL: Correct. We operate...we are a Class VI. We are a 9-12 district with an umbrella over four K-8 schools, the largest being over 300-and-some students in that K-8, and the smallest, 75 students in that K-8.

SENATOR RAIKES: And you have how many Class I's in your system?

BILL MOWINKEL: Four.

SENATOR RAIKES: Four. Okay.

BILL MOWINKEL: At one time there were 17, and we've merged and consolidated those into four attendance centers. And also, several have been annexed into Grand Island.

SENATOR RAIKES: Several of the Class...

BILL MOWINKEL: Class I's.

SENATOR RAIKES: ...Class I attendance centers have been annexed into...

BILL MOWINKEL: Grand Island.

SENATOR RAIKES: Grand Island.

BILL MOWINKEL: District 38 and 30 are the two most recent ones, and that was 20 years ago.

SENATOR RAIKES: What has happened...Northwest is an equalized school system?

BILL MOWINKEL: They are right now. Shortly not to be, because they'll become an option enrollment district. There

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will be so many option enrollment students that their state aid will be based on option enrollment, not equalization.

SENATOR RAIKES: So the resource base for the resident students does not justify equalization? Is that what that...you're saying? The...given the resident students in the district, versus the valuation base, it will no longer be equalized?

BILL MOWINKEL: That is correct.

SENATOR RAIKES: What is happening to your valuation base over time?

BILL MOWINKEL: It has stayed relatively stable, due to annexation. Back in 1994 was the last time we had an accurate rate of valuation that's been annexed. Because how you keep track of that is, every time there's a bond issue, until those bonds are paid off, you can keep track of the difference between your general ed valuation and your bonded valuation. And there was \$280 million in valuation that had been annexed into Grand Island in 1994, the last year we could keep records on that.

SENATOR RAIKES: But if you look at the valuation you're...the adjusted valuation you're charged with in the equalization formula, that's steady? Or that's been going up?

BILL MOWINKEL: Steady, going up slowly, 1 percent maybe.

SENATOR RAIKES: Okay.

BILL MOWINKEL: Due to increase in valuation of ag land.

SENATOR RAIKES: Okay.

BILL MOWINKEL: Our valuation is primarily ag land.

SENATOR RAIKES: Okay. I see no other questions. Thank you, Bill. Other proponents, LB 418?

ROBERT DUBAS: Good afternoon. My name is Robert Dubas. That's D-u-b-a-s. I'm a patron and taxpayer who lives in the Grand Island Northwest school district. I served on the

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Northwest school board for 12 years, and have participated in numerous negotiations meetings with the Grand Island public school district, concerning Northwest property that was annexed into the city of Grand Island. Never, as a result of these negotiations, has there been an agreement that gave the Northwest district anything but a total loss of tax base from this annexed property. Past negotiations have failed for many reasons, including that Grand Island feels that they shouldn't be landlocked and that they should be allowed to expand their tax base no matter what. How about Northwest's tax base? The Northwest district would be pleased to expand their tax base and not get any extra kids to educate in the process. The most recent talks broke down and resulted in the Grand Island school district's refusal to share tax revenue from annexed property, as they were advised by their lawyer it was illegal. Other school districts have such agreements. In light of the seeming failure of the current law, I feel that LB 418 is a good alternative, and will hopefully get an impartial arbitrator to consider both sides. Supporters of Northwest are tired of coming out on the short end of these proposed...supposed good faith negotiations. Please support LB 418 and advance it to the full Legislature. Thank you.

SENATOR RAIKES: Thank you, Robert. Questions? I don't see any. Thanks for being here.

ROBERT DUBAS: Thank you.

JOHN WURDEMAN: Different procedure than last time I was here. Okay. Good afternoon, Senator Raikes and members of the committee. My name is John Wurdeman. That's W-u-r-d-e-m-a-n. I am a member of the Class III Lakeview Community Schools board of education. Lakeview High School is located approximately four miles north of Columbus, in Platte County. Lakeview board has recently been involved in legal action and negotiations with Columbus Public Schools in regard to several different housing subdivisions located in the Lakeview District but lying within the two-mile zoning jurisdiction of the city of Columbus. Four of these have been during the past few years. Current law, under Section 79-473 of revised statutes of Nebraska requires that, and I quote from portions of the law: Whenever an application for approval of a final plat or replat for territory which lies within the zoning jurisdiction of a

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city of the first or second class, the affected school board serving the territory subject to the final plat shall meet within 30 days of such application and negotiate in good faith as to which school district shall serve the platted or replatted territory. If no agreement has been reached, the territory shall transfer to the school district of the city of the first or second class, unless an affected school district petitions the district court within 10 days of approval of the final plat and obtains an order enjoining the transfer and requiring the affected school boards to continue negotiations. If no agreement is reached after such order by the district court and additional negotiations, the platted or replatted territory shall become a part of the school district of the city, end quote. Columbus Public has proposed drawing a boundary line for future developments, where the property on the Columbus side of that line would become part of the Columbus district as future developments are made. Again, the flow of tax base under this arrangement would be one-way, with Columbus Public Schools continuing to gain property tax revenue at the expense of Lakeview. I should also point out that rural areas have no means...other means of collecting revenue to offset these losses, as the city does. For example, the city recently added the city sales tax. And while Lakeview patrons didn't have any vote on that issue, they still must pay this tax when trading in Columbus. We've been here at the Legislature the past several years with proposed bills to freeze school district boundaries, give the affected patrons a vote, and in this case, propose arbitration. We have surveyed 12 surrounding states, and in none of those situations do school district boundaries follow city annexation. If the current law was working, we would not continue to return with these legislative proposals. The Lakeview board is strongly in favor of LB 418, which would correct the inequities of the current law. And remember that the issue of which I'm speaking is dealing with platting and replatting prior to any annexation. LB 418 offers a fair solution to this problem, and we strongly urge your support of this bill. Thank you. Are there any questions?

SENATOR RAIKES: Thank you, John. I should mention, we're joined by Senator Dennis Byars and Senator Vickie McDonald since the introductions. Questions for John? I see none. Thanks for being here, John.

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JOHN WURDEMAN: Okay. Thank you.

SENATOR RAIKES: Next proponent, LB 418.

TOM SANDBERG: (Exhibit 3) Good afternoon. My name is Tom Sandberg. I'm the superintendent of the school in Axtell. My last name, S-a-n-d-b-e-r-g. I applaud you for working to change 79-473. I think arbitration is probably a step in the right direction. While you're talking about annexing, I want to talk about ethanol plants and the impact that's having on schools. In LB 418, under Section 2, wording goes: When territory which lies in a Class I, II, III, or VI district is annexed by a city or village pursuant to Section 79-407 or 408, and it goes on to say, the schools will meet and negotiate in good faith as to which district shall serve the annexed territory. I'm getting at the point on, district serving the annexed territory. Because when ground is annexed for an ethanol plant, there's no kids to serve. I mean, that is factory ground out there. There's not residents, there's not homes, there are no kids to serve. In statute 79-407 or 408, again, it talks about including such adjacent territory as now or hereafter may be attached for school purposes. Again, annexing ground for an ethanol plant, to me, is not serving any school purpose. There are no kids to educate. In our case, Minden City Council skip annexed 100 acres out of the Axtell district to meet TIF requirements, you know, for their ethanol plants. Ethanol plants I think are a good thing. I mean, my local farmers are getting an extra nickel and more per bushel. I think that's something that ought to keep going. But just because a village or a city needs to annex ground to give an ethanol plant an opportunity for their tax increment financing, that doesn't mean that ground needs to move. There's no kids to justify increased revenue for the receiving district. I think that ground ought to stay put. I assume the annexation laws have been written to put land value behind kids going to a district. And I imagine if you have an area moving out from a city and they bring in developments, sure, you may have kids coming in. But in this situation, there are no kids involved, I see no reason to be moving ground. I was told, don't worry about it, you know, state aid will make up your loss. Well, that doesn't work that way. State aid is not stable. Valuation is stable. State aid is not guaranteed. Obviously, the bigger

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issue for us is, we lose out on an opportunity to increase our tax base. I mean, our local taxpayers should have as much right as anybody else to a larger tax base to support education for their kids. I guess what I'd like you to consider here, as you're talking about annexation--and maybe this doesn't fit in this conversation, but I think it does--is, perhaps, as you look at this, you may see more entities than just ethanol plants. But there's been a few in the state, there will be more. There is a skip annexation for an ethanol plant in the works right now. And I'm sure down the road there will be a lot more of them. I'd like you to consider one of two concepts. And I've written this on the second page of my handout. But if on page 7 of your bill, line 6, if you would insert something like: Territory that is annexed by a city or village for the purpose of a tax increment financing project will not result in the annexation of territory by a school district. Just leave it where it is. If that doesn't work and that's not politically feasible and you think you need to share that increased value for others, then perhaps you could have something like: The tax revenue from territory that is annexed by the city or village for the purposes of a tax increment financing project will be mathematically divided equally between annexing school district and original school district. Leaving the territory with the original district, or at least splitting the revenue, makes an ethanol plant project a win-win. Right now, Axtell is sitting at a win-lose. Minden has done well with it. We are not going to. There will be other projects coming up in the state. This might be an opportunity for you take a lead on that and help those districts out. Thank you.

SENATOR RAIKES: Thank you, Tom. Senator Schrock.

SENATOR SCHROCK: Tom, I'm not unsympathetic to your plight. I assume the ethanol site is surrounded by Axtell school district property?

TOM SANDBERG: It is not on the east. It is on the other three sides.

SENATOR SCHROCK: There again, a map would be helpful. But I would assume the ethanol site is two or three miles closer to Axtell than it is to Minden?

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TOM SANDBERG: It's a mile and a half out of Axtell, and six or seven from Minden.

SENATOR SCHROCK: Yeah, I'm have sympathy, but can't do anything else more than that.

TOM SANDBERG: Sure you can.

SENATOR SCHROCK: Well, the last...the sponsor of the bill didn't like my unification idea. I don't suppose you want to unify with Minden, do you?

TOM SANDBERG: Well, maybe they want to merge with us.

SENATOR SCHROCK: All right.

SENATOR RAIKES: Other questions? Let me...you are an equalized school district?

TOM SANDBERG: Yes.

SENATOR RAIKES: Okay. And you said valuation is stable; state aid is not.

TOM SANDBERG: Yeah, it fluctuates.

SENATOR RAIKES: If valuation is stable and students are stable, then state aid is stable, right?

TOM SANDBERG: Well, it hasn't been for us the last four years. See,...

SENATOR RAIKES: Has your student enrollment remained pretty stable?

TOM SANDBERG: Yeah, it hasn't changed much.

SENATOR RAIKES: Okay. Then following the conversation with Ed, this ethanol plant is out of town, out of the town of Minden?

TOM SANDBERG: It's a mile and a half from Axtell, six or seven from Minden. It's just right outside of Axtell.

SENATOR RAIKES: Okay. And then how did the boundary

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change, and what was the mechanism? The Minden school district?

TOM SANDBERG: Minden skip annexed it into their district as part...now part of the city of Minden.

SENATOR RAIKES: Skip annexed it? So it's not contiguous with the rest of the city of Minden,...

TOM SANDBERG: That's correct.

SENATOR RAIKES: ...but it is part of Minden?

TOM SANDBERG: Yes, that's correct.

SENATOR RAIKES: Is there a highway or something that leads there that's part of the city of Minden?

TOM SANDBERG: I don't know the details of that. I just know that's what's happened.

SENATOR RAIKES: Okay.

TOM SANDBERG: I don't know...they didn't talk about a corridor; they just talked about that piece.

SENATOR RAIKES: Okay. Senator Schrock.

SENATOR SCHROCK: They skip annexed for the purposes of tax increment financing, did they not?

TOM SANDBERG: That's right. That's what I said.

SENATOR SCHROCK: Otherwise, that tool would not have been available to them. And that tool would not be available to them through Axtell? Had to go through Minden?

TOM SANDBERG: Oh, it would have been available to...through Axtell, had the town council thought they had the resources to provide the infrastructure, you know, that the ethanol plant needed. I don't think my town council thought they could afford to provide...

SENATOR RAIKES: So it was an issue of city services to support the ethanol plant that led it to Minden?

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TOM SANDBERG: Right. Correct.

SENATOR RAIKES: Okay. Anything else? See nothing. Thanks for being here.

TOM SANDBERG: Thank you.

SENATOR SCHROCK: Tom, if you've got some maps, or can furnish this, that would be interesting to see.

TOM SANDBERG: Sure will.

SENATOR RAIKES: Larry.

LARRY RAMAEKERS: Good afternoon, Senator Raikes and members of the Education Committee. My name is Larry Ramaekers. I'm superintendent of the Aurora Public Schools. Ramaekers is R-a-m-a-e-k-e-r-s. And I'm here in support of LB 418. Along the Aurora Public Schools' western border, which is near the city of Grand Island, is a housing development known as Sunset Terrace. Directly east of Sunset Terrace there is a tract of land that is under development, which will have an additional 49 building sites there. Currently, there are approximately 40 students who attend the Aurora Public Schools that live in Sunset Terrace. And we anticipate the number of students will more than double once the...that additional housing area is developed. The 80 students, then, makes up about 6 percent of the Aurora school district student population. Under current law dealing with annexation, if two districts debate over the land that city has annexed, cannot reach an agreement within 90 days, the city-annexed land will transfer to the school district located in the city. Therefore, if the city of Grand Island in the future annexed the land that includes Sunset Terrace and the land being developed directly east of there, an agreement would have to be reached, or the land and students would go to the Grand Island Public Schools. I strongly support the provisions of LB 418, which continues to have both districts discuss the issue in good faith. However, if the school district cannot reach that agreement on the annexed land, both districts would be subject then to an arbitration. So again, we are looking to the future with the Aurora Public Schools and that land that presently lies very close to the Grand Island city limits. And if that

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were the case, we would lose a substantial number of students, as well as that valuation that goes with that land.

SENATOR RAIKES: Okay. Thank you, Larry. Senator Schrock, and then Senator Byars.

SENATOR SCHROCK: Larry, I'm somewhat familiar with the geography around Grand Island. Where is this Sunset Terrace?

LARRY RAMAEKERS: It's right across the river, on Highway 34, as you're going toward Aurora.

SENATOR SCHROCK: On the east side of the river or west side of the river?

LARRY RAMAEKERS: It's on the east side of the river.

SENATOR SCHROCK: Okay. Have to drive by there on my way home someday.

LARRY RAMAEKERS: And if you look to the...as you are going to the west, in this case, from Aurora to Grand Island, it would be to your left.

SENATOR SCHROCK: And you say the students are currently going to Aurora, most of them?

LARRY RAMAEKERS: Yes, this is in the Aurora school district.

SENATOR SCHROCK: And how many miles from Aurora High School, versus Grand Island (inaudible)?

LARRY RAMAEKERS: That would be about 13.5 miles to 14 miles to Aurora; to the Grand Island public schools, I am not certain of that, I would assume about 7 or 8 miles.

SENATOR SCHROCK: There again, it would sure be helpful to have a map.

SENATOR RAIKES: Senator Byars.

SENATOR BYARS: I think Senator Schrock has asked my

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question. I wanted to see the proximity between the subdivision to Aurora, versus to Grand Island. And just, again, we look at choices. It's half the distance to Grand Island school, twice as far to the Aurora school, but it's in the Aurora school district at this point. Is that because Grand Island has moved out continuously over those (inaudible)?

LARRY RAMAEKERS: To my understanding, Senator, part of this was when the Phillips school district--that may have been a part of the Phillips school district--merged with the Aurora school district, some years ago. And that became part, then, of the Aurora school district, upon that merger. That preceded me.

SENATOR BYARS: Okay (inaudible).

LARRY RAMAEKERS: I'm assuming that's what had occurred.

SENATOR BYARS: Thank you, Larry.

SENATOR RAIKES: Senator McDonald.

SENATOR McDONALD: Having been from Phillips, knowing that that actually was the case,...

LARRY RAMAEKERS: Was that the case? Thank you.

SENATOR McDONALD: ...all of the land in that Phillips district was...then became a part of the Aurora school district. There were a few farmers that parceled theirs out to go to Doniphan or Marquette or wherever. But that was the...that was what happened in 1966.

LARRY RAMAEKERS: And you know much better than I, then. Okay. Thank you.

SENATOR RAIKES: One question,...

SENATOR SCHROCK: Are you that old? (Laughter)

SENATOR McDONALD: (Laugh) I can still remember.

SENATOR RAIKES: She reads history a lot. The development at Sunset...

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LARRY RAMAEKERS: Terrace. Yes.

SENATOR RAIKES: ...Terrace, would you say that's mostly the result of the economic base in Grand Island, or the economic base in Aurora? I mean, where do those people work, and this kind of thing? And also, you mentioned it's expanding. The expansion would be based upon which community?

LARRY RAMAEKERS: Now, that would be a hard question to answer, Senator. I do know that we have a number of people who have...who are now residents of the Aurora school district, that do go to work in Grand Island. To say that the percentage of new houses that are going to go into this new housing development are done from the fact that they want to live in a rural area and still work in Grand Island, I can't answer that question. It would only be a guess on my part. I don't know if I'm answering your question at all.

SENATOR RAIKES: Well, I...maybe you raise another one that I'd like your opinion on. If you have folks that really want to work in a community--make it Grand Island, make it Lincoln, make it Burwell--and if they live on the outside, I mean, they're tied to the community for purposes of job and maybe other community activities, but they live outside the city limits, should there be different school districts?

LARRY RAMAEKERS: In my opinion, you need to go with the boundaries that are set from that particular situation, of which that would fall within our school district, in particular, where that housing development is being developed. All of these people that are residing there are not hooked up to city services. They're dropping their own well, they're having their own drain field or sewer, so forth. They're not using the services from the city.

SENATOR RAIKES: But to some extent, you're saying, even if they do make use of city services, they still should be, potentially, in a separate school district?

LARRY RAMAEKERS: If that is where that...if they reside there, yes.

SENATOR RAIKES: Okay. Senator Byars.

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SENATOR BYARS: Thank you, Senator Raikes. One more question. Have you done the demographics on how many students are actually enrolled in K through 12 schools from that subdivision? And do you have any idea of the number that are optioning to Grand Island?

LARRY RAMAEKERS: We have more optioning into the Aurora school district than we do have optioning into Grand Island, and those that are...not necessarily reside in that Sunset Terrace, which is closer. But we do have 39 students that are in that Sunset Terrace area that we do have, potentially we could be busing. Now, granted, there's students that drive or ride with brothers and sisters and this type of thing. But we do have 39 students right there in Sunset Terrace that do come to our school district.

SENATOR BYARS: Do you have any idea how many in that school...in that...

LARRY RAMAEKERS: Specifically,...

SENATOR BYARS: ...division are optioning into Grand Island?

LARRY RAMAEKERS: No, Senator, I do not have that number.

SENATOR BYARS: Okay. Thank you.

SENATOR RAIKES: Senator Schrock.

SENATOR SCHROCK: Are they also going to Aurora for grade school?

LARRY RAMAEKERS: Yes.

SENATOR SCHROCK: Okay.

LARRY RAMAEKERS: Yes. We have no Class I school districts in our...

SENATOR SCHROCK: But you have a Class I school district between that subdivision and Grand Island Public. Doesn't Northwest have a...?

LARRY RAMAEKERS: I think so. And that is a question you'd

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have to ask the superintendent from Northwest. But I'm not...I think it is, but I could not tell you that with certainty.

SENATOR SCHROCK: Is that grade school there on Highway 34, south of Fonner Park and maybe a little east, (inaudible)?

LARRY RAMAEKERS: I...that is closed. That is no longer...

SENATOR SCHROCK: That's closed?

LARRY RAMAEKERS: ...open.

SENATOR RAIKES: Okay. Thank you, Larry. Other proponents, LB 418? Okay. We'll move to opponents, LB 418. How many opponent testifiers do we have? One, two,...would you mind moving up here to the front row, so we can...

LYNN CRONK: (Exhibits 4 and 5) I have your map.

SENATOR RAIKES: ...improve our efficiency here.

LYNN CRONK: The red boundaries are Northwest High.

SENATOR RAIKES: You have to talk in the...so we can transcribe you.

SENATOR SCHROCK: But it's black and white. I'm just kidding. (Laughter)

LYNN CRONK: (Laugh) I have my red pen, believe it or not. We had a fax, a map faxed to us. The red boundaries that you see are Northwest, the boundaries of Northwest. And you can see it's sort of a rectangular island within the city of Grand Island. Good afternoon. My name is Lynn Cronk. This is my 11th year of service on the Grand Island Public Schools board of education, and it's my 7th year as board chair. Because facilities are not recognized as part of the equalization formula, the tax base is extremely important to school districts that have a need to expand their facilities. The Grand Island Public Schools, as you're aware by now, has some recent experience with the process addressed in LB 418. In December, we concluded our negotiations with the Northwest High School district regarding property annexed by the city of Grand Island

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in 2004. Our most recent significant successful bond election was in 1994. Since then, our English language learner student population has increased by 500 percent. While student enrollment in the Grand Island Public Schools increased by 14 percent during the past six years, Northwest increased a 6 percent decrease in student enrollment. LB 418 does really nothing to alter the legal options available to school districts when a city expands. In our negotiations with Northwest High School, a Class VI district, we were required by statute to either add the property to our tax base or leave the property with Northwest. In our opinion, this bill simply places the decision into the hands of a third party that cannot, in the opinion of our legal counsel, create a land or tax sharing agreement. Grand Island is a growing community. The city of Grand Island has an aggressive economic development plan. Our board has taken the position that the growth of the city's schools should follow the growth of the city. We're most likely to be responsible to educate the increasing numbers of students that accompany the city's growth. Our stance was absolutely not one of hostile aggression. It is one in which we find ourselves to be the voice for the immigrant and poor children of our community. Northwest High School exists within the Grand Island city limits, with a student population of 60 percent former Grand Island Public Schools students, who come to them through option enrollment. In our community, we find that most of the students who are classified as high-needs, do not, for whatever reason, avail themselves of option enrollment. Our board of education believes that it is our sacred mission to provide the facilities and the education for each student who comes to our school district. And you will hear this, we will strongly resist the efforts of others that will cause us to become an inner-city school district. And by that I mean decreasing property valuation to educate the higher-need students. We have higher student density, and we need the ability to expand our facilities to support increasing enrollment. You know, this has a little bit of the flavor of a neighbor-to-neighbor squabble. And I can tell you absolutely that our board of education believes the real solution, it's good for all of the state of Nebraska, would be to create a single school district. I don't know that it's...I would consider it good policy to legislate neighborhood squabbles. So, any encouragement that you would want to offer, along the lines of working together

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more closely, we'd appreciate. Thank you for attention, and I would try to answer any questions that you might have.

SENATOR RAIKES: Thank you. Questions? I have some on the map.

LYNN CRONK: Okay.

SENATOR RAIKES: The red box is...

LYNN CRONK: Northwest...

SENATOR RAIKES: ...Northwest High School.

LYNN CRONK: ...High School. Um-hum.

SENATOR RAIKES: And you've got city boundaries. There is no other...okay, Northwest is within the city limit?

LYNN CRONK: Yes. On all four sides.

SENATOR RAIKES: And there are no other buildings, Northwest buildings, that are within the city limits, other than the high school?

LYNN CRONK: That's right.

SENATOR RAIKES: No elementary centers.

LYNN CRONK: That's right, because we've...as the city has expanded, we've taken those.

SENATOR RAIKES: Northwest has 70 percent, I think one of the testifiers, 70 percent option students?

LYNN CRONK: Well,...

SENATOR RAIKES: Is that in the high school?

LYNN CRONK: ...60 percent...I can tell you that we...by our data, 60 percent of their students are our students who have chosen to option. So maybe the overall is 70 percent.

SENATOR RAIKES: Did you say--and maybe you didn't, let me just ask you--that the students...well, the students who

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option from Grand Island to Grand Island Northwest tend to be non-ELL, nonpoverty students?

LYNN CRONK: Absolutely. And we're aware that under option enrollment, it's perfectly okay for a school district to decline students who are in need of programs that they cannot provide. So they...you know, or it may be an issue of transportation. Students whose parents are higher socioeconomic level probably can transport them. And it's also, frankly, a neighborhood issue. Most of the students who live out there select Northwest as their neighborhood school.

SENATOR RAIKES: Okay. Any other questions? I don't see any. Thank you for being here,...

LYNN CRONK: Thank you.

SENATOR RAIKES: ...and for bringing the map.

LYNN CRONK: Thank you.

STEVE JOEL: (Exhibit 6) Good afternoon, Senator Raikes, members of the Education Committee. Steve Joel, J-o-e-l, superintendent at Grand Island school district, testifying today against LB 418 because, quite simply, it's bad policy. LB 418 would eliminate the clear and orderly resolution of how territory that has been annexed by a city gets served by school districts. Under current law, when territory is annexed by the city of Grand Island that has been served by a school district other than the Grand Island public schools, the two school boards get together and negotiate in good faith as to which school district will serve the annexed territory. Generally speaking, the city school district should serve the newly annexed territory, in our opinion, unless both boards agree otherwise. The reasons for this are multiple. If school districts do not grow as the city grows, as development naturally moves outward, the city school district loses its tax base, and the services and quality of education a school district can offer also suffers. If a school district's boundaries are lopped by law, this creates, as Mrs. Cronk mentioned, isolated city schools. Disparity of wealth between school districts increases under such a scenario. So does disparity of demographics. In fact, I've sent around a chart showing

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adjusted valuation, comparing Northwest with Grand Island Public Schools, based on our enrollment growth, again, adjusting the valuation per pupil. Even with Grand Island taking the land, there's a \$33,000 per student discrepancy in adjusted valuation. And I would remind the committee that in terms of spending per pupil, we are...if we're not 210 out of 210, we're probably 208 or 209 out of spending per pupil. For these reasons, under current law, if no agreement is reached within a reasonable time period between the districts, and as long as there's been good faith negotiating as defined by statute, the annexed territory transfers to the city school, in our case, to Grand Island Public Schools. This basic model of, as the city grows, so grows its public school district, is important and good public policy and should be upheld. But LB 418 destroys this policy, replacing it with a cumbersome and untenable procedure, where every dispute about annexation of property--and when isn't annexation going to be disputed--places school districts in mandatory arbitration, and ultimately no standard, uniform outcome. The increased legal expenses alone, at a time when schools are under tight budgetary constraints, represents bad policy. Putting all of Nebraska into turmoil, where sometimes school districts grow with the city, and sometimes they are isolated, depending upon the outcome of arbitration, we believe is bad policy. To complicate matters, LB 418 also would make option enrollment applicable to students who reside in districts with annexation agreements. Option enrollment is being misused in Nebraska. Sadly, as larger cities and towns across our state become more ethnically diverse, option enrollment becomes a tool of segregation. Wealthier, nonminority parents option students into Class I's and Class VI school districts located in and around city districts, disrupting the support that a community that is unified around one school district can bring to assure all children an equal opportunity to an adequate education. When a community is one boat, it brings that...all in that boat up together. Groups of people unifying for the good of a common education can actually bring down the overall cost of that education, by assuring, in our middle-class state, middle-class schools, rather than school districts divided on lines of wealth or other demographics. Research shows that as the percent of students in poverty in a school district increase, the cost to serve that population increase exponentially. Research shows that districts

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isolated and segregated based on demographics are harmful to students. LB 418 puts the health and diversity of schools at risk. School districts need to know that they grow as cities grow. This allows for proper infrastructure planning by school districts. It improves the amount of local resources available for school funding, and it assures that we...as we grow in diversity, we maintain integrated schools. For these reasons, I urge you to not advance LB 418. Thank you.

SENATOR RAIKES: Thank you, Steve. Questions? Senator Schrock.

SENATOR SCHROCK: Do you know the enrollment of your students that you're serving? What's the number you're serving, versus Northwest?

STEVE JOEL: We're about 7,700. And I don't know. I've got...is it not on that sheet?

SENATOR RAIKES: It's adjusted weighted.

STEVE JOEL: I know the total enrollment. I don't know. I don't know what Northwest is. Approximately, we did a study not too long ago, Senator Schrock, that said this, that we have, if you were to take the K-12 students that they educate, compared to what we educate, we have 85 percent and they have 15 percent. So we're at 7,700 students. I know Northwest High School is probably around 700, ballpark. I can't tell you how many are in their Class I's.

_____ : Six fifty.

STEVE JOEL: Six fifty.

SENATOR SCHROCK: And what's their elementary enrollment, then?

STEVE JOEL: I don't know.

SENATOR SCHROCK: They're probably around that 1,200-1,300 total.

SENATOR RAIKES: Senator Kopplin.

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SENATOR KOPPLIN: Dr. Joel, this amendment that we've been presented, taking the Lincoln schools as well, Class IV, let me be correct, does that have any effect on Grand Island, by taking that...?

STEVE JOEL: Well, I'll tell you, Senator, I heard about that just prior to the committee meeting. And I would tell you that I don't understand why we would continue to allow exemptions. If in fact it's good for one, it ought to be good for all. So you know, I recognize that Lincoln, or the Lincoln schools, are receiving exemption under that amendment. But you know, for us, we have a Class VI sitting right inside our school district, and is...60 percent of the students that go there are Grand Island resident students. And you know, we often...I guess I would say, let's have policy for all.

SENATOR RAIKES: Senator McDonald.

SENATOR McDONALD: So what you're saying is, Omaha needs to move their boundary districts as they annex? See, right now they don't. So if it's good for one, good for all, they would also be moving their boundary district.

STEVE JOEL: I think what I'm saying is that it's confusing when we have separate classes of school districts that are treated differently. And in fact, you know, we heard Northwest make the statement that it's worked in some other communities. Well, our attorney has told us, you know, it doesn't work, that you can't divide tax base and you can't divide valuation. But that is confusing to the taxpayers in the greater Grand Island community. So what I would say is that I think, again, the law makes it pretty confusing to the common citizen in our state.

SENATOR RAIKES: Senator Kopplin.

SENATOR KOPPLIN: Are there not districts now that split?

STEVE JOEL: Yes.

SENATOR KOPPLIN: But your attorney said no?

STEVE JOEL: Our attorney said...and you've got a copy of...I think Mrs. Cronk gave you the article that appeared

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in the Grand Island Independent. Because we were looking for a way to do that. And he came back citing case law, saying there is no statutory authority to split tax base or tax revenue with another district. In other words, you can't send tax dollars...a piece of property that's been annexed into the land has a right to expect those dollars to go to support that school district they've been annexed to. You can't send those tax dollars to another district. And I recognize that that calls into question the other arrangements that exist within the state. But our attorney can find no statutory authority to allow those to occur. And our board of education took the position that we were not going to bind our board or future boards with something that could be legally challenged.

SENATOR RAIKES: See no other questions. Thank you,...

STEVE JOEL: Thank you very much.

SENATOR RAIKES: ...Steve. Additional proponent...or excuse me, opponents, LB 418?

ROGER HARMS: My name is Roger Harms, H-a-r-m-s, a Grand Island board of education member. I just want to speak briefly. And Senator Schrock has probably done a better job than I, but I would like to speak up, Senator Raikes and the rest of the committee. But let me say one thing. Arbitration sure does sound fair. I mean, any time that word comes out, it seems like, who's going to lose in arbitration? But I'm trying to look 20, 30, 40 years down the road. And if arbitration, if this bill is passed, and I'll use ours as an example, and arbitration takes city-annexed land and three years from now they give it to Northwest for their tax base, ten years from now, more annexation, they give it to us for our tax base, then look at the map. The city school district has pockets of Northwest school district. I just don't think that that's going to be the most valuable way to educate kids down the future. Also, I would really like to speak up to Senator Schrock's...I believe, in our dispute with Northwest, that a single, unified school district would provide the best possible education for the kids, in the near future and the far future. And I, for one, would be more than happy to resign my position and start a brand new board. Thank you.

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SENATOR RAIKES: Thank you, Roger. We're not necessarily supporting that notion, by the way. (Laughter) Senator Schrock.

ROGER HARMS: (Laugh) Maybe you could. Yeah.

SENATOR SCHROCK: Yeah, you look like you may have been around a day or two.

ROGER HARMS: Thank you. (Laughter)

SENATOR SCHROCK: You probably remember when Grand Island Northwest started up.

ROGER HARMS: Yes, I do.

SENATOR SCHROCK: At that time, did Grand Island say to the rural folks, look, either you merge with us or we're not going to take your high school students?

ROGER HARMS: I can give you the story, because I was a citizen of Grand Island at the time. As a matter of fact, I was a teacher at Walnut Junior High School when this occurred. The growth of the Grand Island school district because of the kids coming in from the surrounding communities was beginning to grow faster than the facilities. The Grand Island board of education went to the surrounding areas and asked them--now, I don't know how nicely they did--but they asked them, we need help, we would like to have a bond issue, but we would like to have you included in our bond issue so that money can come from the outlying school districts as well as the inner-city school district to help us expand our facilities. I can't tell you the emotion of the time, but I do know that the surrounding people of Grand Island took that to heart and were relatively irritated, and they were able to start a Class VI school and build it within a year. It was a remarkable job that they did. They were so focused.

SENATOR SCHROCK: I think I can tell you why, too. Because the farmers in the surrounding area looked at what their tax bill would do, and decided, we can figure this one out. That's why Adams Central was built. That's why Columbus Lakeview was built. That's why we almost built one at Phelps County. I'm glad we didn't. But...

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ROGER HARMS: Yeah. Well, I'm just giving my personal perspective.

SENATOR SCHROCK: Yeah. The farmers, pretty wise in their ways sometimes, and they can figure the tax bill out pretty quick. Now, under today's circumstances, that doesn't work.

ROGER HARMS: I believe that the...with the general accounting and et cetera, the...you folks, with your option and equalization and everything, have tried to make a moot point. That's my understanding.

SENATOR SCHROCK: There's still a few districts out there that are nonequalized, that have a tax advantage. But most of the rest of us are all in the same boat.

SENATOR RAIKES: Other questions? Thank you, Roger.

ROGER HARMS: Thank you.

SENATOR RAIKES: Next opponent, LB 418.

JOHN LINDSAY: Senator Raikes, members of the committee, my name is John Lindsay, appearing as a registered lobbyist on behalf of Omaha Public Schools. Start off with just stating that Omaha Public Schools does not have a dog in this fight. So it's kind of strange that we would be here, except just to comment on the public policy side of it. And that is what our board's position is, is that the public policy, appears to us, should be that the city should grow...as the city grows, the school district should grow as well. Mr. Joel, in his comments, talking about what could happen if that policy is not followed, kind of described the Omaha area. And I think Senator McDonald touched on that, as well. The problems of valuation, in Omaha's case, moving westward, residents moving westward, and leaving OPS with some of the issues that we've been before this committee in the past, and will be in front of you again in the near future, some of those issues do start to arise. So with that, we would ask the committee to look at the public policy and the potential outcome and not support this bill.

SENATOR RAIKES: Thank you, John. Questions? Senator Kopplin.

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SENATOR KOPPLIN: I missed this a little bit. Was your statement that you feel the city of Omaha, the school district, should follow?

JOHN LINDSAY: No, we...we're saying, what...if the city doesn't grow...the school district does not grow with the city, a situation like Omaha, where we have multiple school districts within our city limits, is what you will end up with.

SENATOR KOPPLIN: Sorry, I missed...

JOHN LINDSAY: No, we're not...

SENATOR KOPPLIN: Okay.

JOHN LINDSAY: I don't think I'm brave enough to come up here and suggest that. (Laugh)

SENATOR RAIKES: Any other questions? Senator Stuhr.

SENATOR STUHR: I'm just wondering, what would be your comments when all of the surrounding states, you know, do what Omaha, you know, allow? I mean, what is your...all of the surrounding states, I believe...what do they do? They do not...the districts do not move with the annexation. So...and you're saying you don't really agree with that?

JOHN LINDSAY: What I'm saying is that the result of a change in the policy to not allow Grand Island school district's boundaries to move with the city will be the result that we have in Omaha, with multiple school districts within our city limits. Those issues...I think Mr. Joel's comments talked about some of the issues of valuation moving beyond the school district boundaries, residents moving beyond the school district boundaries, and leaving a district, which is a city district with landlocked boundaries, with increased ELL population, with increased poverty population. And whether that's good policy or bad policy, it is what the situation is in Omaha now.

SENATOR STUHR: Yes. I realize that. But I'm...it still concerns me that all of the other surrounding states, all of our surrounding states of Nebraska, you know, do have this

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policy, and it seems to work well in those states.

JOHN LINDSAY: It may. I guess it depends on...I don't know what...how they handle the other situations, the other problems that it comes up with. Maybe we need to look to those states for those solutions, as well.

SENATOR STUHR: Thank you.

SENATOR RAIKES: Senator McDonald.

SENATOR McDONALD: It appears to me those areas that the...when the annexation takes place and the school boundaries change, there's turf wars. There's always turf wars. This is yours, this is mine, whatever. But in Omaha, where they don't move, no turf wars. Is that true?

JOHN LINDSAY: That's true. You're trading one problem for another set of problems. And it's questionable which set of problems is better public policy.

SENATOR McDONALD: And if other states don't, you know, you're saying there's other problems, but are they to the immense as this emotional issue is?

JOHN LINDSAY: I...Senator, I really am not familiar with other states, what...how they handle their boundaries, and what the emotions surrounding those would be. Because the issue is...as I mentioned at the outset, Omaha doesn't have a dog in this fight, because we don't have that problem. We have the ELL, the poverty, the other issues that Mr. Joel mentioned. So we...I'm just not familiar with what goes on in other states. And I apologize.

SENATOR RAIKES: Senator Schrock.

SENATOR SCHROCK: Well, Omaha has that problem, because Westside is the same as Grand Island Northwest. But...

JOHN LINDSAY: But we're not...we did not, could not move our boundaries.

SENATOR SCHROCK: I understand. But was that good policy back then, when they said you couldn't move your boundaries?

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JOHN LINDSAY: I guess it would depend on which side of the line you were on.

SENATOR RAIKES: Anything else? Thank you, John. Other opponents, LB 418? Do we have any other opponents planning to testify? Okay. Please move up. Yeah. Thank you.

BOB DOYLE: Bob Doyle, D-o-y-l-e, 11440 West Center Road, Omaha. I'm with the law firm of Fullenkamp Doyle and Jobeun. I'm here this afternoon representing, basically, two bodies besides ourselves. The first is the Eastern Nebraska Development Council, whose members include most of the Douglas and Sarpy County development community, including developers, builders, engineers, attorneys, and municipal bond underwriters. ENDC is affiliated with the Metropolitan Omaha Builders Association. I am also here on behalf of the Metropolitan Omaha Builders Association. This office also represents a substantial number of developers, and is responsible for a substantial amount of the residential development in both Douglas and Sarpy County. Both organizations are strongly opposed to LB 418. Parts of LB 418 also kind of incorporate what you're going to be hearing next, which is LB 199. So if I may, some of my comments may be directed towards both of these. There are two major development areas, Bellevue and Papillion, which have zoning jurisdictions which include areas adjacent to the South Sarpy school district. Both of these cities have their own...what I call 79-407 school districts. The developments now abut South Sarpy, and 79-473(4), which would be amended by this LB 418, has been used on a number of occasions, I think almost always--maybe there have been some times where it hasn't--but almost always at the request of developers. Well, why? Why do the developers request this? Because the buying public, at least in Douglas and Sarpy County, is purchasing the Bellevue or Papillion community. They want their children to go to the Bellevue or Papillion local school. If they can't, they buy elsewhere. The South Sarpy schools are several miles away. The Papillion or Bellevue schools are right next door. The local school system should follow the normal and orderly city growth progression. An artificial or static line should not prevent the orderly growth of our cities. Adoption of either LB 199 or LB 418 will certainly have a very strong effect on development in these areas. In fact, in my opinion, it is likely to stop it. And it's not

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like--at least in Douglas and Sarpy County, with the greater metropolitan Omaha area--that we're taking away a lot of tax base from the adjoining school district. These are farms. We're not after any ethanol plants, at least not that I know of. Basically, the ground is agricultural. And as I've said, from a developer's standpoint, if in fact the school district is not going to be the Bellevue or the Papillion-LaVista school district, then that ground is not going to get developed. The developers are going to go somewhere else. I'd like to give a couple of examples of what happened in the mid-1980's, to illustrate this. And I'm sure that two of the school superintendents here are very familiar with those projects. The first was in Bellevue, an area called Two Springs. Against the advice of a number of people, the developer went ahead and developed that area. It was not within the Bellevue school district. The area failed, and the sanitary and improvement district which was used to develop the area was...went bankrupt. The other one was in Bellevue, and it was the same situation. They developed in the South Sarpy school district, which did not have schools anywhere near, but it was very close to the Papillion schools, area called Glenwood Hills, and it likewise failed. Couldn't get the buyers in there. The people didn't want to go live there. They wanted to be part of the Bellevue or the Papillion-LaVista community. That area also went bankrupt. Now,...

SENATOR RAIKES: You have a red light there, Bob. Let me ask you, what else do you have to say on this matter?

BOB DOYLE: Not a whole lot.

SENATOR RAIKES: Okay. You...were you saying that the bankruptcies of these SIDs were due to them not being associated with a particular school district?

BOB DOYLE: In my opinion, yes. And in the...what we had was, we had a lot of trouble getting the buyers to go into these two areas, because their kids had to be bused to schools that would be, oh, anywhere from three to five miles away. It was quite a lengthy distance. And I know the next question is, well, gee, now with option enrollment, maybe that is not the case. But I can tell you, and I think that some of the superintendents in those areas could certainly back this up, is that when we go and we put a new school

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right on the...basically right on the line, and we have one in the Grandview subdivision which...excuse me, yeah, Grandview subdivision, which is out at 96th and Schram, which basically is, you know, at the farthest extent of the Papillion school district. Now, these schools have a tendency to fill up very, very, very quickly. And it is the kids in those subdivisions that are going to go to that school, and not some person that is going to be an option enrollee. He maybe able to find a place in Papillion that is much further east, where maybe the property has turned over some, and the people that had children are now empty-nesters. So yes, my opinion to this board, and I...certainly the opinion of the buying public, because that's who we rely upon to buy the homes which we build, is saying, we want to be in the city school district, and if we cannot be in the city school district, we're probably not going to buy a home there. We just had one subdivision just recently...it was in the Bellevue subdivision, and for one reason or another, the deal couldn't be done between the Bellevue Public Schools and the South Sarpy schools, or, I think it also had something to do with the development itself, the developer chose not to do the development, rather than have his subdivision in the rural school district, as opposed to the urban school district. That I do know for a fact. I can also tell you that our office represents almost all of the development out on what I like to call the Schram corridor, Schram Road corridor, which is absolutely one of the hottest subdivisions and areas in both Douglas or Sarpy County. And at least two of those subdivisions were in the South Sarpy school district, and are now within the Papillion school district. And those two areas would not--and I can't repeat this strongly enough--would not have been developed had they had to stay in the South Sarpy school district, because the South Sarpy school district is several miles away. Doesn't mean...I'm sure South Sarpy is an excellent school district. They have an excellent high school. But you know, Papillion has got a high school within half a mile of there, within a mile to half a mile. Just makes a big difference. Makes a big difference to the developers and to the builders. And...

SENATOR RAIKES: We've got people clamoring to get into the city school district and people...

BOB DOYLE: That is correct.

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SENATOR RAIKES: ...clamoring to get out of the city school district. (Laughter) Any other...

BOB DOYLE: Well, and...

SENATOR RAIKES: ...questions? Senator Kopplin.

BOB DOYLE: Yes.

SENATOR KOPPLIN: I believe there's a couple of Papillion school districts that's...or buildings that's, like, the middle of the...Bellevue, city of Bellevue. Could that have any effect on people wanting to buy there?

BOB DOYLE: You know, those areas, Senator, have...at least as far as I know, have long since been developed. So that's an issue between those two areas. One other thing I think that you need to understand is that in Douglas and Sarpy County, development is done in a different manner than it is done in a lot of the rest of the state. In much of the rest of the state, a city will annex a piece of ground and then it is developed. In Douglas and Sarpy County, they use sanitary and improvement districts, which are corporate bodies politic. But they put in the public infrastructure, and then that public infrastructure is paid back through special assessments against the various lots, and then also by an ad valorem tax which is also assessed against the tax value of the property within the district. Usually, this debt is bonded over a period of 20 years. And when the debt is paid down to a certain point, that is when the cities come in and annex those areas. So the development is done prior to annexation, not after annexation. And I think that's the difference between some of the...you know, some of the cities that...like Lincoln, or some of those, that are outstate. So it is the developer, typically, that goes to the Bellevue or the Papillion-LaVista school district and says, you know what, we would like to develop this piece of ground, but we cannot develop it unless you agree to use 79-...I believe, what is it...473(4) to assure us that you will, upon our final plat of the property, that you will annex us into your school district. Because if you will not agree to annex us into your school district, we will not purchase that piece of ground, we will not develop that piece of ground.

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SENATOR KOPPLIN: Okay. My second question would be, the city of LaVista has an aggressive annexation movement to the west, the only direction they can go.

BOB DOYLE: That is correct.

SENATOR KOPPLIN: Are you saying those lands then should follow into the Papillion school district?

BOB DOYLE: I think that school district is Millard, which I believe is maybe a larger school district. I don't know exactly how that works. But all I'm telling you, I'm just talking to you from a developer's standpoint, and what the developer is looking for. And I know that in one court case, years ago, when it was on this provision, they talked about whether it was a rural Class III or an urban Class III district. Well, we're developing in an urban situation, with Bellevue and Papillion-LaVista. And so the people that we are developing for, what they want is they want the urban...they want that urban school system. Those are both excellent school systems, and people are anxious to get into those two school systems. And so as developers, we try to give the people what they want, and what they want is the Papillion-LaVista and Bellevue school systems.

SENATOR RAIKES: Senator Howard.

SENATOR HOWARD: Being from Omaha, I'm somewhat familiar with the areas you're talking about. It seems to me that there...the developments are moving further and further and further south.

BOB DOYLE: Yes.

SENATOR HOWARD: I was just wondering, in your opinion, are the folks looking at the quality of the school areas? Or rural versus the urban? The distance they have to drive? Possibly the next step for the child from the elementary school to the high school? Or what is the consideration that you're seeing?

BOB DOYLE: The major consideration, or one of the major considerations, is whether there is an elementary school in their particular area. When they see an elementary school

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across the street, and basically cannot go there because it's full or it's in the other school district, that is a major consideration also. And I don't know what the...what South Sarpy offers, like, in high school or whatever. But a lot of these people are upwardly mobile, and they're looking for the best school system for their children. And what they're looking for is a school that will give them multiple language options, maybe more advanced mathematics, and things like that, that at least the perception is that a larger school district can offer. With South Sarpy, it's...and I don't know whether South Sarpy does offer those things. But I think, you know, certainly distance is a...you know, certainly is a major concern. The other thing, if I might address it, is that, you know, if development were to move out from South Sarpy, which is basically Springfield, it's not going to reach Papillion for Lord knows how many years. It would be a long, long, long time. So when Papillion or Bellevue goes and annexes--and this may be completely different from what you see in Grand Island or some other place, and I alluded to that with my comment about the ethanol plants--but all we're taking is, we're taking a corn field. We're taking a corn field. It's got agricultural...it's got an agricultural valuation on it, and that valuation is not significant. So that school district that is losing that valuation is not losing a significant amount of valuation. And it is also highly unlikely that it is going to get...you know, to be able to develop that. We would also be concerned, from a parent's standpoint and from a developer's standpoint, even were they to put an elementary school out there, it would take a bond issue, and whether the rest of that area would agree to go for a bond issue to put an elementary school out on the edge of Papillion. But then we still have the issue of the high school being...I don't know, it's three or four or five miles away. It's...you know, it's pretty far away. In other words, I agree with the other testimony that has been here today, is that these lines cannot be static. If they're static, you are just really going to hinder development. And please remember that over the last couple of years, at least until the last year, in the city of Omaha, you know, economic development has not been very good. Home building has been one of the major economic development tools and catalysts in Douglas and Sarpy County. And this would certainly put a hamper...it would put a damper on that type of economic development. So I would

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say, whatever you do, let's not cause that line to be static. It's arbitrary. It's arbitrary, and it should not be arbitrary, and it should not be static.

SENATOR RAIKES: Okay, Bob. Other questions? I would remind you that if you want to appear on record, I suspect, unfortunately, as an opponent to LB 199, you will need...

BOB DOYLE: I will stay. I...

SENATOR RAIKES: ...to get up here and quickly refer to your testimony here, so that you're on the committee statement.

BOB DOYLE: I will do so.

SENATOR RAIKES: Okay.

BOB DOYLE: Thank you very much.

SENATOR RAIKES: Next opponent, LB 418.

JAMES BLINN: Mr. Chairman and Senators, my name is James Blinn, B-l-i-n-n, and I am the mayor of the city of Papillion, Nebraska. And I suspect one of the...seldom do you begin by answering a question, instead of an introductory statement. But Senator Stuhr, I would suggest that maybe some of the other states, or the areas in western Nebraska, don't use the SID development that we do in our area, as Mr. Doyle referred to. Almost every single development around the city of Papillion occurs through an SID. And economic development in our area, particularly retail and office space, is developing as a result of the residential development that's occurring within the city of Papillion. And my comments will be equally appropriate to LB 418 and LB 199. And I'll step up and ask that the record in my LB 418 statement be reflected in the LB 199, if possible, and save the committee time, as well. We have platted over 1,600 homes along the 370 corridor in the last two years; 1,600 homes, if you assume 2.2 people in those homes, 3,200 people outside the city of 17,000. And that's just in the last two years. We have another, I would suggest, several thousand that are waiting to be annexed, and they are in SIDs. We have 774 more homes pending right now. I can tell you that before this item ever came up for discussion down here, for the last two years that I have

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been the mayor of the city of Papillion, every developer that has developed along Highway 370 has made their building development contingent--if they're along Schram Road, which is almost every development that is occurring--contingent upon being in the Papillion-LaVista school district. And there's been many questions as to why that is. I don't know why that is. And frankly, I don't know if it's distance or any other issue. And I...really doesn't involve the city of Papillion in the issue, other than the fact that these developments have made it clear that they're occurring because, or contingent upon them being able to be in the Papillion-LaVista school district. And so these developments, had they not occurred, I think that it would hinder the economic development that we're seeing occurring, which, right now we're on...being ready to, or getting ready to announce, I believe, 850,000 to 900,000 square feet of retail space. Another 500,000 square feet was announced a few months ago in our area. These proposed changes...and the issue that I have with the platting is, in the city of Papillion, typically what happens is, a developer comes forward, they get an option on a piece of land. That option to purchase that land is contingent upon getting zoning and platting. And in this case, it would be contingent upon also receiving approval from the school district to move in the Papillion-LaVista school district. So...and in order to trigger the mechanism that starts the process of the negotiation and then also goes into the arbitration, we have to finally plat the land. We have now zoned and platted the land, and now it goes into negotiation, and then eventually to arbitration. And at the end of the arbitration, if the school district says, Papillion-LaVista school district says, well, that's too expensive for us, or the school district entered into an agreement with the developer, where the developer would help defer that cost, and they say, well, no, that's too expensive to us, in order to enter this agreement, the arbitrations come out way too high, that development wouldn't occur. Now, several things have now happened. The land is now zoned and platted for this new development. And as you heard earlier, agricultural values are not nearly as high as when it's rezoned and replatted for either commercial or residential. That landowner is now held paying taxes on a piece of property, a farmer is now being held paying property taxes now on land that is now zoned and platted for commercial or residential development. Second is that we do not have the same developer developing

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the property that we considered when we zoned it and platted it. In many circumstances, that may not make a difference. But in the cases that are going on for us, we have developers that are enhancing the area, enhancing the design standards around. And to us, it is important that those developers are the same people that developed the property that come in and zone and plat it. Those 2,300 homes I spoke about earlier, and the property that's going to develop as a result of that, we're talking about probably \$200 million worth of commercial development, \$2 million annually in sales tax revenue. I am sure that almost all of that commercial development is related to the residential development that is occurring. And I am convinced by the statements developers have made to us, that if it's not the Papillion-LaVista school district, that that area will not develop. Why? I don't know. But I know that those statements have been going on for the two years that I've been in office. And so I would suggest that whatever you do to change it...and I understand there are problems in western Nebraska that are completely separate from our problems. I'm suggesting, don't pass a bill that will cure the problem in western Nebraska and create another problem in eastern Nebraska in Papillion. Try and sit down and get a bill that will solve both problems at the same time, and...maybe through a definitive formula that determines that, or some other mechanism. Thank you for your time. I see my red light is up, so.

SENATOR RAIKES: Thank you, Mr. Blinn. Questions? See none. Thank you for being here.

JAMES BLINN: Thank you, Chairman.

HARLAN METSCHKE: Senator Raikes, Education Committee, my name is Harlan Metschke. I'm superintendent in the Papillion-LaVista school district. I guess I wanted to give my board's perspective on some of the negotiations that has gone on in the past. I think the board of education of the Papillion-LaVista schools has taken the position, with the negotiations we've had with the South Sarpy school district board, that we are going to acquire these developments that are immediately on our perimeter, immediately on the city of Papillion's boundary, so that we don't curtail development for the city of Papillion. That has been our position the last several years. I think for the last four or five years

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we have stated that position as we generally, annually, meet with the superintendent and board president of the South Sarpy school district. The area in question is right there around Midlands Community Hospital. It's where I have an elementary school. Our school district boundary is about three blocks south of that. And so you can imagine, areas that are developing or wish to develop right there are going to intend to be, or expect to be in our school district, and expect it to be connected with the city of Papillion. Granted, the option...the enrollment option program is available. I guess we see some problem with the fact that if those areas aren't in our school district, and we're going to plat another 2,000 homes, lots, in that area, we're going to have to be able to build some buildings, build some elementary buildings. We do have a high school that is within a mile of that southern boundary. We have to be able to acquire that, so that we can put buildings there, neighborhood elementary schools, to service that area. And I guess that has also been our position as we've dealt with those four points in the statute, that we need to look at the interest of the community that's involved. So again, this testimony is probably more pertinent to LB 199. LB 418 does concern me, in that it does put an arbitrator in this process. It does lengthen the period of time that Mayor Blinn mentioned was a problem for landowners and developers. But with that, I would answer any questions.

SENATOR RAIKES: Okay. Thank you. Senator Kremer, the ice is thawing between us. We have some of the same opponents. Harlan, on...when you have an SID, the SID bonds themselves to...for infrastructure--streets, sewer, water maybe.

HARLAN METSCHKE: Um-hum.

SENATOR RAIKES: But what about school buildings?

HARLAN METSCHKE: The SID, if it's in our school district, of course, would be paying for the bonds that we have had currently. For some...

SENATOR RAIKES: So as soon as it's platted, if there's a bond issue that is passed...

HARLAN METSCHKE: Would occur after that, they would be paying on that bond issue. One of the advantages of...or

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one of the differences in this situation compared to the annexation issue is, if nothing happened until annexation were to occur, that would be sometime later, three or four years, when the development is almost complete, and those families have now been connected to a school district for a period of time. Now, granted, some of them could have optioned. But if I can't build buildings along that corridor, there's not going to be much option capability, because those buildings will be at capacity quickly. So it's important that the land be associated with a school district on the front end, before homeowners get there, because parents that are living in those areas aren't very pleased with us when we tell them, no, we can't accommodate your student in that building that's three, four blocks away, so.

SENATOR RAIKES: Okay. Any other questions? Senator Stuhr.

SENATOR STUHR: Yes. You mentioned that you meet regularly, or once a year, with South...

HARLAN METSCHKE: We have.

SENATOR STUHR: I mean, are those meetings...?

HARLAN METSCHKE: Lately, we've had a lot of developments, a lot of developments occur. And so we meet at each platting of those, so we've met a lot lately, a lot of lunches. But prior to that time...and we really haven't been in this game until the last, probably, two years. Prior to that time, we did meet annually.

SENATOR STUHR: But, I mean, you do speak to each other and...

HARLAN METSCHKE: Very much so.

SENATOR STUHR: Okay. And attempt to work together...

HARLAN METSCHKE: And...

SENATOR STUHR: ...through...and find a solution,...

HARLAN METSCHKE: True.

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SENATOR STUHR: ...I think. Okay, thank you.

HARLAN METSCHKE: Thank you.

SENATOR RAIKES: Thank you. Other opponents, LB 418? We're getting down toward it, are we? Any more opponents? Two more. Okay.

CHRIS SHEWCHUK: Good afternoon, Senator Raikes and committee members. My name is Chris Shewchuk, S-h-e-w-c-h-u-k. I'm the planning director for the city of Bellevue. And I'd like to...I'll be brief, and just echo what Mr. Doyle and some of the other gentlemen have said. The city of Bellevue is opposed to this legislation because of the negative impact we feel it would have on the development of our city. I firmly believe that the development we've been seeing would not occur if they were forced to be in the South Sarpy school district. Those areas are adjacent to developments that are either in the city or at least in the Bellevue school district, in some cases half a mile, quarter mile, from existing schools. The schools in the South Sarpy district are 10 to 12 miles away. So distance would be one of those factors. Another factor, I believe,...we also have, right now, three school districts within our city. Omaha, Papillion, and Bellevue are all within our city limits. This would allow the possibility of a fourth school district within our city limits, the South Sarpy school district. The Bellevue school district must be allowed to expand with the city for our economic vitality. A couple of you gentlemen...you senators mentioned earlier, talking about the Grand Island-Aurora situation. These people that will be in these new developments are, for all intents and purposes, part of Bellevue. They're right across the street. They're next door to Bellevue. And they would not be part of the Bellevue school district. And again, I agree wholeheartedly with Mr. Doyle, that these areas would not develop if they were part of the South Sarpy school district.

SENATOR RAIKES: Okay. Thank you, Chris. Senator Kopplin.

SENATOR KOPPLIN: The other communities with...or other school districts with buildings in Bellevue, do you think that as cities expand they should take in the existing buildings of another district, so it remains one community,

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one school district?

CHRIS SHEWCHUK: I don't know for sure about that. I think there have been agreements that have been made in the past. And part of that area in our northwest that's part of the Omaha school district was there a long time before Bellevue came up and got in...was part of that. So they are established areas that we have expanded into, whereas...

SENATOR KOPPLIN: They're still in the city district...or in the city boundaries?

CHRIS SHEWCHUK: They are...yes, within the...but my concern with this bill right now is the economic development, economic vitality of the city. And I feel that this would really hurt Bellevue, and Papillion as well.

SENATOR RAIKES: Anything else? Chris, three districts within the city is okay, but a fourth is just one too many? (Laughter)

CHRIS SHEWCHUK: Oh,...I don't know. (Laugh)

SENATOR RAIKES: Okay.

CHRIS SHEWCHUK: Keep it as low as possible.

SENATOR RAIKES: Thank you. Additional opponents?

GARY TROUTMAN: Good afternoon, Senator and committee members. My name is Gary Troutman. I am the city administrator for the city of Bellevue, and I'm here today to support my city planning director's comments, as well as the Bellevue school district's position in opposing the legislation that's before you. I can tell you that since my appointment as city administrator, we have worked very closely with the school district in this type of problem. We would like to see...I know, Senator, you asked about three districts versus one more coming in. I think if we had our way, we would just like to see one school district in Bellevue. And however, that's not the case, and we're not advocating that today.

SENATOR RAIKES: That wouldn't be OPS, would it? Or...

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GARY TROUTMAN: No. (Laugh)

SENATOR RAIKES: I see.

GARY TROUTMAN: No, I need a ride home, so that would be the Bellevue school district. (Laugh) But anyway, I just wanted to just take a couple minutes and let you know that this legislation has been reviewed by our legislative committee, which is made up of council members that we have. And we do have one of our council members here today, John Ott, who is a former administrator with the school district, and is on the legislative committee. But basically, as Chris indicated, our concern lies with economic development, community development. And we feel that the appropriate process is in place, and would ask...or advise you that our position with the city is to oppose the legislation. Thank you, Senator.

SENATOR RAIKES: Okay. Thank you, Gary. Questions? I see none.

GARY TROUTMAN: Thank you.

SENATOR RAIKES: John, come on up.

JOHN DEEGAN: John Deegan, superintendent of the Bellevue school district. Time is running on. I'll just say that there's 241 square miles in Sarpy County, and there's 102 square miles in the Springfield school district. So that represents about 40 percent of the school district, is represented by the Springfield district. So you can see why these school districts that are in growing communities are having a difficulty. And this law, 20 years ago, when we passed it 1984, Ray Lundy and Senator...at that time, there was Senator Goodrich, and others, there were 49 senators voted in support of the bill, to have negotiations at the time of platting, make the decision before the people get there. And so that has been always appreciated. And we'll talk about that in LB 199, coming up. But when you talk about taking the annexation provision and now turning it into a negotiations, you're back to creating a checker board. And I think it would be probably counter to some of the ideas of probably getting people together and make it work. One of the things I would say, as the superintendent of the Bellevue school district, I think you ought to work

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real hard at trying to give us direction in Sarpy County, relative to our school boundaries. In the states surrounding us, there's been talk about things going on. We don't have any elementary school districts in all the states around us. Those are K-12 districts already. And so the more and the sooner we can get to K-12 school districts and get some direction from the state. I was in country school in Iowa when the state closed our country school. And my parents weren't happy about that, but in the end, it was the right decision. And I went to town school, and that was a great outcome of that. And so I think the state in the neighboring states has...have stepped forward and made the decision when it need to be made. However, in Nebraska we're, I don't know, about 40-50 years behind. But hopefully we'll be able to catch up in some of that direction. And so I would ask you again for help. And after 20 years of working on the platting, I can see how we've got the boundaries kind of developed. And just in Sarpy County alone, if the four superintendents got together and the city administrators got together, we ought to be able to see how to better serve that area. And I would hope that by not doing this bill and asking people to do that, or working with some senators, that would be a good solution to that problem.

SENATOR RAIKES: Okay. Thank you, John. I don't see any questions, so...

JOHN DEEGAN: Thank you.

SENATOR RAIKES: ...thank you for being here. Surely there's nobody neutral on this. (Laughter) Okay. Senator Kremer, to close.

SENATOR SCHROCK: I just...make a comment. I certainly don't have these problems in my legislative district. (Laughter)

SENATOR KREMER: Thank you, Senator Raikes and committee. Just a couple of comments. I guess I'd like to make a clarification. I heard so many times people say, we don't want the boundaries frozen, even though that's the way it is in Omaha and all the states around. That's exactly what we're saying too. We've never said, freeze the boundaries. We've said, negotiate. And we've talked...several people

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LB A

have commented how they have gotten together with their boards, with the different school districts, and negotiated and worked. And I think that's exactly what we want to happen. We're not trying to legislate the neighborhood squabbles. We're trying to put a process in there that the neighborhood squabbles could maybe be done in an orderly manner. I would think that almost each one of these people that were opposed, if this final outcome was turned around, so that if you cannot come into agreement that the boundary would never move, they would be right here very much in support of this bill, because you say, it never moves, or it always moves, they're going to be contention. I think there's a...many times, as was talked about, Bellevue and Omaha, I think it depends on which side of the fence you're on. It if happened to be Omaha that was moving out there taking the territory of Bellevue and Papillion--and I'm not really familiar with all who borders who--but if it was going the other direction, then I think they would be very much in favor of this bill. And it's really trying to get people to work it out, because I think many times that the districts, the boundaries, should not move; many times they should move; maybe they should be partially moved. And I think we've got to do something. I think when we have a neighborhood squabble, that nobody wins. And I think if we had some way to resolve this, I think there...it could be a win-win situation. So thank you for your patience, and I appreciate it.

SENATOR RAIKES: Any questions for Senator Kremer? Thank you, Senator.

SENATOR KREMER: Thank you.

SENATOR RAIKES: That will close the hearing on LB 418. And we'll move on. Senator Byars.

LB 199

SENATOR BYARS: We'll now hear LB 199. Senator Raikes, welcome to the Education Committee.

SENATOR RAIKES: Well, that's better news than I expected, actually. Senator Byars and members of the committee, Ron Raikes, representing District 25, here to introduce LB 199,

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and to continue a theme. LB 199 also deals with 79-473. And let me just review a little of the testimony you heard in the last...on the last bill. For a first-class city, there is a two-mile...up to a two-mile zoning or planning horizon, from the edge of the city. And I'm told that there's one exception to that, and that's that it might go beyond that if the county cedes its zoning authority to a city. But generally speaking, a first-class city, up to two miles; a second-class city, up to one mile. Currently, once platted, the city school district decides. That's the way it works. Under this proposal, once annexed, the school district would decide. So the only difference is, you're moving the power, I guess you'd say, the power to acquire the property into a school district that the city has, you're moving it from the date of platting to actual annexation. So it's a more substantial, I would argue, change in the organization of the subdivisions. And it's...obviously, in the case of SIDs, it's a later date, which I think will depend somewhat on how that bonding is done. This does not deal with Class IV or V school districts. It...the attempt here was to actually make it more consistent. This makes the school districts surrounding a class one or a class two city comparable in this regard with a Class IV district. And again, it was already mentioned in the previous testimony that one way to counteract the problem of residents of an SID or residents of a...yeah, SID bordering a city, is with option students. Now, keep in mind, under the current arrangement--and I think this was made clear too--is that the...if it's an SID, does not have to be contiguous with the city in order for the city school district to annex the property upon platting. So I'm going to stop there, address any questions, and allow some folks to make their case.

SENATOR BYARS: Thank you, Senator Raikes. Any questions of the committee of Senator Raikes? No? Thank you, Senator. Proponents.

DICK HINDALONG: (Exhibit 7) Good afternoon. My name is Dick Hindalong, and I'm superintendent at South Sarpy School District 46. And it's H-i-n-d-a-l-o-n-g. First of all, I'd like to thank the Education Committee and Senator Raikes for giving me the opportunity to visit with you this afternoon. And thank you, Senator Raikes, for sponsoring LB 199. Briefly, South Sarpy District 46, which is now in its 45th

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year of existence, is a Class III consolidated school district, which lies nearly within the entire southern half of Sarpy County. I know John mentioned it was 102 square miles, but it's actually 93 square miles, now that we've had some property leave. The Bellevue and Papillion school districts border us to the north, while the Gretna school district borders us on our northwestern boundaries. We're an "urbal" suburban school district that supports about 1,042 students K-12. We have two elementary schools, a junior high, and a high school. Platteview High School, our flagship school, is part of the Eastern Midlands Conference, which ranks as a Class B in terms of athletics and activities, if that gives you a better idea of our identity. We're in the same conference as Norris, Waverly, Gretna, Blair, Plattsmouth, Elkhorn, and Nebraska City.

SENATOR SCHROCK: And Holdrege.

DICK HINDALONG: Not in the Eastern Midlands Conference.

SENATOR SCHROCK: Oh, okay.

DICK HINDALONG: We'd like to encourage your support for measures as outlined in LB 199 during this year's legislative session. And this, of course, would be to remove Section (4) from that particular law. Now, for the past 20 years, the Bellevue Public School District, and now the Papillion-LaVista school district, in the last couple of years, have been able to easily transfer into their school system various territories, now subdivisions, that originally belonged to our school district, due to the fact that their identified cities have zoning jurisdictions over those given areas. And I've listed some of those subdivisions for you in the document that I've handed out to you. These subdivisions were easily taken from our district, due to 79-473, which was initially placed in law in 1984. And it's important to note that these territories and subdivisions were not previously annexed into the cities at the time of transfer. Now, obviously, if indeed this trend continues, 79-473 is not...and if it's not altered, our school district will lose more and more property valuation, along with the inability to moderately grow at reasonable student enrollment levels. Now, I've given you kind of a synopsis of Section (4) there. But basically what happens is, when a developer files for a replat, a property

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that's in our school district, when it lies within the two-mile zoning jurisdiction of the city of the first class, albeit Papillion or Bellevue, that triggers negotiations, and we need to do that within a 30-day time period. We are to sit down and negotiate in good faith. At such time when the final plat occurs, if no decision has been made, the land automatically transfers to the school district of the city of the first class. Now, of course, there is a provision in that law that we can take this to district court. The judge then sends us back, we negotiate again. Once again, if no conclusion is arrived at after that second time around in negotiations, the land automatically transfers. Keep in mind that while we appreciate our smaller enrollment size and fully realize the benefits of a small school system, we do need to maintain moderate student growth patterns and valuation stability in able to be fiscally sound. Right now, one of our biggest fears in our community is that we are gradually being forced to merge with larger school districts, which is not desired by our school community, especially in light of the fact that we've just completed a \$6.5 million bond issue at our high school. By dropping Section (4) from 79-473, a more equitable approach will occur as we deal with the boundary issues. For example, it is my understanding that before Lincoln Public Schools can transfer territories from neighboring school districts, the city of Lincoln must annex those territories first. It is our perspective that this approach is much more acceptable than that currently exists in our situation. Therefore, LB 199 would level the playing field, if you will, on a statewide basis. It's important to note that in the past couple of years--we want to emphasize this--we have established financial agreements with Bellevue and Papillion-LaVista on transferred property, based on current property values. We have received in lieu of tax amounts based on the current ag value for a period of ten years. Now, even though we respectfully appreciate these negotiated agreements, we also realize that these settlements may not be a sure thing downstream, and the dollar amounts transacted far offset...far from offset the financial impact lost by our school system for the future. Additionally, given today's option enrollment laws, parents now have the ability to send their children to whatever school district they desire. And consequently, school districts will not need to lose highly important property tax bases, which in turn enables them to maintain quality

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fiscal management and educational services. Also, LB 199 would allow school districts such as ours to strengthen long-range planning activities and provide us opportunities to make sound decisions for the future. So it's indeed our hope that serious consideration and study be given to the implications outlined in LB 199. It is our opinion that those measures outlined in this bill...

SENATOR BYARS: You are on the red light, (inaudible).

DICK HINDALONG: Okay. I'm done. Thank you very much.

SENATOR BYARS: Thank you very much. Any questions of the committee for Mr. Hindalong?

DICK HINDALONG: Yes?

SENATOR BYARS: Senator Kopplin.

SENATOR KOPPLIN: Dick, this particular bill would just slow down what's going to happen anyway. Is that correct?

DICK HINDALONG: That would be correct. Ultimately, down the line, a few years down the line, when the land gets annexed by the city, it would go anyway. But in terms of fairness and equity across the state, I feel that it would be a fair situation for us as well.

SENATOR BYARS: Any other questions or comments? Thank you very much for your testimony.

DICK HINDALONG: Thank you.

SENATOR BYARS: Next proponent. Any other proponents?

JOHN WURDEMAN: Senator Byars and Senator Raikes and other members of the committee, again, my name is John Wurdeman, W-u-r-d-e-m-a-n, a member of Class III Lakeview Community Schools board of education. Lakeview High School is located, again, four miles north of Columbus, in Platte County. As mentioned earlier, the Lakeview board has been involved in legal action and negotiations with the Columbus Public Schools. Again, a lot of this is...has been gone over, and I'll refer to my testimony on LB 418. And considering that previous testimony, I wanted to point out a

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few other things that might...how it affects the Lakeview district, regarding platting and replatting. One example of this is that the current agreement between Columbus Public Schools and Lakeview Community Schools provides that each original lot owner has a choice between the districts when the lots are sold. But all property tax proceeds are split 50-50 between the two districts. One particular subdivision has 17 lots, 16 of which have been sold. All 16 have chosen Lakeview as their district, but Lakeview must write a check to Columbus Public Schools for one-half of the tax revenue for the property in the Lakeview school district. So again, that seems inequitable to us in our position, in our opinion. The Lakeview board is strongly in favor of LB 199. And I guess I want to refer to Senator Schrock's comments earlier as to why Lakeview and Grand Island Northwest and Hastings Adams Central. I really appreciate those comments. I grew up on a farm north of Columbus. And while I wasn't old enough to be politically active when Lakeview was built, I was old enough to remember my dad talking about what the property taxes would have done (laugh) if they would have...if they wouldn't have been able to build that high school. And really, the rural property owners at that time were left with no other realistic option, in my opinion, other than to build their own high school in those areas. So I believe...we feel this current law is very unfair to those districts. So again, we support...strongly support LB 199. And the issue as it affects Lakeview is dealing with platting and replatting prior to any annexation. We feel it's really a farce to even use the term "negotiations," as used in current law, when one district has nothing to lose by standing firm and thereby potentially acquiring all of the property from the other district. We feel LB 199 offers a fair solution to the platting and replatting problem, and we strongly urge your support of this bill. Thank you.

SENATOR BYARS: Thank you, Mr. Wurdeman.

JOHN WURDEMAN: Any questions?

SENATOR BYARS: Any questions? Senator Raikes.

SENATOR RAIKES: Yes. The situation you described with the 17 lots, and 16 of them going...so is there one lot...I mean, ...?

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JOHN WURDEMAN: Within one subdivision, 16 of the lots, out of 17, have been developed.

SENATOR RAIKES: So there's 1 lot in there that's in Columbus and 16 that are...

JOHN WURDEMAN: It hasn't...there hasn't been a choice made on the lot that hasn't been developed yet.

SENATOR RAIKES: But it's...potentially you could have 1 lot out of 17 that's in one school district, and...or you could have 4 lots...

JOHN WURDEMAN: Right.

SENATOR RAIKES: ...scattered around that are in one school district and the rest of them in another one?

JOHN WURDEMAN: That's the agreement we reached through the negotiations process with Columbus Public, regarding these subdivisions.

SENATOR RAIKES: Okay. Thank you.

SENATOR BYARS: Senator Schrock.

SENATOR SCHROCK: The subdivision is on the north side of Columbus?

JOHN WURDEMAN: Yes.

SENATOR SCHROCK: And so that way, it's fairly close proximity to your school, right?

JOHN WURDEMAN: Yeah,...

SENATOR SCHROCK: You think...

JOHN WURDEMAN: ...approximately half-way in between.

SENATOR SCHROCK: ...geographic considerations is the main reason they want to go to Columbus Lakeview?

JOHN WURDEMAN: I'd like to think we have a better school

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system.

SENATOR SCHROCK: Or do you (inaudible)?

JOHN WURDEMAN: But there might be others in here, in this room, that would disagree. (Laugh)

SENATOR SCHROCK: Are they closer to you than they are to the Columbus High School?

JOHN WURDEMAN: It's about the same. It would be about the same.

SENATOR SCHROCK: But they don't have to drive through all the stop lights to get to you, I don't suppose.

JOHN WURDEMAN: Well, no, they probably wouldn't. But it's...a lot of folks like to live...from people I've talked to, I feel that, people that have responded to me, they like to live out in the rural area, the subdivision area of Columbus, and...

SENATOR SCHROCK: Unless there's a hog lot close by.

JOHN WURDEMAN: ...they prefer...they consider...they still consider Columbus a big school, even though, compared to Lincoln and Omaha, they probably aren't. But...

SENATOR SCHROCK: I wish you people would consider the kind of people you're dealing with on this committee. I would like to see some big colorful maps, so I can see what's going on.

JOHN WURDEMAN: We can sure get that to you. I apologize I didn't bring that, but...

SENATOR SCHROCK: I don't need...

JOHN WURDEMAN: ...we'll remember that, that you really like maps.

SENATOR SCHROCK: ...I don't need a coloring book with it, but I'd just like to see some...

SENATOR BYARS: Thank you, Mr. Wurdeman. Any other

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comments? Any other questions? Thank you for being here. Any other proponents for LB 199? No more proponents? Any opponents to LB 199?

JAMES BLINN: Chairman, Senators, again, James Blinn, B-l-i-n-n, for the city of Papillion. I have one comment to add, and then I'll ask that my comments from LB 199 be reflected...or from the prior bill, be reflected in this bill, if that's acceptable to the Chairman. The indication before on the--Senator Kopplin, we haven't had a chance to meet yet, I look forward to that--that it's just delaying what will happen upon annexation, that may be the case in many situations. But in our situation, for the city of Papillion, these developments aren't going to be occurring, if the indications that we've been receiving for years now are true. The development is not going to be occurring. And I'm not suggesting that some..and I understand agreements have been struck. And we're fortunate. South Sarpy and Papillion-LaVista school districts have worked together and come up with an agreement. And the representative from the South Sarpy district was correct in pointing out the fact that that's only by good nature, because certainly the Papillion-LaVista school district could have held firm. But the fact that these two school districts are working together to resolve this issue currently doesn't mean that there doesn't have to be some final resolution in the future. And I don't care...to us, it wouldn't make any difference if there was a compensation that was put in place, a formula set out, and how it was going to be determined. But what I think the developers are looking for is some way of knowing, going into it, before platting, this is the expense of developing at this location, and that we know we will eventually end up with the Papillion-LaVista, in our case, the Papillion-LaVista school district. It may be, you know, different in other circumstances. But something that's defined in advance, so that we don't end up with property that's either platted and zoned but not being used, and you have farmers that are paying higher taxes on this property now but it won't be developed any more. They find out it's too expensive after going through the platting and the zoning with us, and they don't want to do the development because it adds too many thousand dollars to the home and they don't know what the final arbitration ends up being until after we've zoned it, after we've platted it. And we can't wait till annexation,

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because that...right now, these are people that want to build and they want to, in our circumstance, go to the Papillion-LaVista school district. And it's not a reflection on South Sarpy or Papillion-LaVista. It's just the fact, when they come forward to us. With that, I will leave you, then. Thank you for your hospitality this evening...or this afternoon.

SENATOR BYARS: Thank you, Mr. Mayor. Any questions? Thank you, Mayor Blinn.

JAMES BLINN: Thank you, Senators.

SENATOR BYARS: Next opponent.

BOB DOYLE: Bob Doyle, 11440 West Center Road. It's spelled D-o-y-l-e. As with Mayor Blinn, I would appreciate it if you could incorporate my comments on LB 418. I would say that what I was going to say in addition is almost exactly what Mayor Blinn said, so I will not say it again. I would concur with him. But I would say that what we're doing with this bill here, LB 199, is you are just creating the same discrepancy in negotiating position for the opposite side than what you have today. So I would concur with Mayor Blinn that maybe there needs to be some type of formula, or...for compensation. Because the developers need to know, prior to...you know, prior to putting their money down on the ground and developing. Otherwise, we stop development. Thank you very much.

SENATOR BYARS: Thank you. Any questions of the committee? Thank you. Any other opponents?

HARLAN METSCHKE: (Exhibit 8) Thank you, Senator Byars, Education Committee. My name is Harlan Metschke, superintendent, Papillion-LaVista schools. This time I'll spell it. I do that quite often. It's M-e-t-s-c-h-k-e. And I would just, hearing some of the testimony, say that, in relation to the current bill and the efforts for good faith negotiations, our board has tried to follow the letter of the law there, and have offered something to the South Sarpy district so they really don't realize a decrease in revenue. We have offered that current tax revenue they have gotten on that land, and we've done that for a period of ten years. So, I would also ask that the other testimony I had

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during LB 418 be put into record here. I would answer any questions.

SENATOR BYARS: Thank you, Dr. Metschke. Any questions from the committee? If not, thank you. Any other opponents? How many more opponents do we have? Okay. Thank you.

RON HUNTER: My name is Ron Hunter. I'm a lawyer. I practice in Omaha. But I've lived in Bellevue for the last 30 years. And I'm representing the NP Dodge Company, which is a developer. I've had four children go through School District 66 in Omaha, which is regarded as one of the outstanding school districts; one child go through the Omaha school district; and my youngest daughter went through the Bellevue school district, or Bellevue schools. And I became very, very impressed with the Bellevue schools. My youngest daughter is now a freshman in law school. I encouraged NP Dodge to develop a subdivision within the Bellevue zoning jurisdiction and the Bellevue Public Schools. And I say nothing in derogation of South Sarpy. I don't know much about them. So what happened? NP Dodge bought a subdivision called Lakewood Villages. And it was in both Papillion-LaVista and also in Bellevue. And they were very, very pleased with the...particularly the lots in the Bellevue school district, because all of the people...the people wanted those lots and they sold out. So then they began looking for another subdivision in the Bellevue zoning jurisdiction, and we found one. And it's...before we tied the subdivision up and bought it, we made sure that, one, it was within the Bellevue zoning jurisdiction, and two, it...within the Bellevue school district. It's called the Fred Heida (phonetic) Farm. And my clients paid \$25,000 an acre, or \$3,800,000, for a little bit less than a quarter-section. And before we tied it up and before our investors relied on anything, we made sure that it would be within the Bellevue school district. And this was what the state of the law was until LB 199 was introduced. Now all of a sudden we receive a shock, that this land, if this...if LB 199 is passed, will not be in the Bellevue school district. It will be in South Sarpy. Now, again, I say nothing derogatory about South Sarpy. But when I hear Bob Doyle say that he knows of two subdivisions that were developed and they were South Sarpy and they both went bankrupt, you know, that do make you worry. So the question is, what do we do? And I'm doing one of the things right

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now, and that is attempting to oppose LB 199. Another point. John Deegan spelled out that 40 percent of Sarpy County is in South Sarpy school district. Now, think about that. I've got six subdivisions in Sarpy County. It is one of the hottest...it is the hottest county right now in the state of Nebraska, the fastest percentage growth. That means that you've got Bellevue, with a population of nearly 50,000, Papillion, LaVista, and Gretna. Those four towns are competing for the 60 percent that's left. Now, what happens...it just doesn't make sense. This is the tail wagging the dog. Now, what happens in the Fred Heida (phonetic) Farm? If we're a part of South Sarpy, that means that our children would have to be bused over six miles to the grade school. That's what I'm told, at least. For the high school, another six miles. By the same token, the...there is a Bellevue elementary school one-quarter of a mile from the Fred Heida (phonetic) Farm. And it just seems to me that it's completely...doesn't make any sense. Now, I'll stop...is that my warning light? Oh, it's not. I've got one minute? You've asked a question, and I'll give you maybe a guess. I'm from Iowa originally, and I believe Iowa has the fixed districts. Now, why has it worked in Iowa? And I presume this is true of South Dakota, and so forth. The reason that it's worked in Iowa is because Iowa had her first consolidation of schools in 1918. They had another consolidation of schools in 1955. And there is another consolidation going on at the present time. I heard somebody in testimony on the other bill saying, hey, Nebraska is 50 years behind. And that's true. The problem with a fixed district is that we have no consolidation, I know of, of schools in Nebraska. That's why the fixed does not work. And I'll answer any questions, if they're soft questions. (Laughter)

SENATOR BYARS: Thank you, Counselor. Any questions of the committee of Mr. Hunter?

RON HUNTER: Thank you.

SENATOR BYARS: Thank you for being here. Next opponent.

CHRIS SHEWCHUK: Good afternoon, Senator Byars and members of the Education Committee. Again, my name is Chris Shewchuk, S-h-e-w-c-h-u-k, planning director for the city of Bellevue. And the city of Bellevue is opposed to LB 199,

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not only because of the negative economic impact noted in my testimony on LB 418, but also because it does not promote orderly growth for school districts, and leads to uncertainty for residents. A school district must be able to expand its boundaries at the time new development is platted, rather than waiting for an area to be annexed. Because...and especially with SIDs, because of the time lapse between the time an area is platted and the time it builds out, a school district can plan for the impacts that a new development will have. When a school district must wait to absorb an area until it is annexed into a city, it will be forced to deal with all those impacts all at one time. Cities can annex with relatively short notice, and that does not give a school district to respond or plan for the impact that the annexation may have. A further concern with this bill is the effect it will have on residents of developing areas. These residents will be uncertain of which school district they will be a part of in the future. For example, if the Bellevue public school district cannot take in an area at the time it is platted, residents will be in, in most cases, in the Platteview school district. Since such an area is in the Bellevue zoning jurisdiction, it will ultimately be annexed by the city of Bellevue, at which time it would come into the Bellevue public school system. So people could be, in development, one year be in one school district, another year be in...move into another school district, just by annexation. And a statement by Senator Kopplin...this does just put off the inevitable. And I feel this probably hurt South Sarpy more than it would help them. They would lose the valuation of the development once it's annexed. You have a development that's built out. It's tens of millions of dollars of valuation. That's when the city would annex it. And all of a sudden, that's when they lose their valuation. So I think, again, this would hurt them more than it would help them. It just puts off the inevitable. Thank you.

SENATOR BYARS: (Inaudible) testimony. Any questions? If none, thank you very much. Next opponent. Is this the last opponent? We have another one? You want to come forward and be ready, please? Thank you.

JOHN DEEGAN: Senator Byars, members of the Education Committee, I'm John Deegan, the superintendent of schools in Bellevue. And I thank Senator Raikes for putting this bill

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in, because it always gets us all together and so we can have a review of the matter. The idea of this bill, I go back 20 years ago, when we were sitting here and when 49 of the senators said, that platting provision really solved a lot of problems. If you take out the platting provision, watch the problems develop. They're going to be ten times what the problems are now if we wait till annexation. So I think they've got to be dealt with at the time of platting. And it works real well. And I'm sorry to Dick if I misspoke on his acreage. I didn't realize Papillion and he had been so busy changing ground. And...but I do believe, you know, in that period of time, we've taken about two acres of ground...two square miles, not acres, two square miles of ground. And so it hasn't been a devastating approach. Not too long ago, a few years ago, we opened up an elementary school in the south, and Springfield chose to close one of the elementary schools in the far eastern part. All but about 2 of those students, 110 of those students, came to the Bellevue school district by option, and about 2 of them stayed with Springfield so they could go about six miles to their elementary school. A lot of that understanding of those things when they happen going to tell you what people are looking for and what people are trying to do. And we're really...we meet with them Ms. Stuhr...Senator Stuhr. We meet with Springfield on a regular basis. We...every time these developments come up, we try to work through them. And we think that's very, very important to get that done. And so we hope that works out. One of the things about...I'll just say real quickly, is that I think the city of Bellevue made a huge mistake when they annexed the area of Omaha. I think the area of Omaha should have been left to Omaha to deal with, because I do believe it should have been part of Omaha. And the area of Papillion that's in our school district was a boundary agreement that was supposed to be dealt with again, that hasn't been dealt with yet. But I think that can be dealt with. And so I think we all are about community development. Back when city of Bellevue took that area of Omaha, it was all about the revenue sharing coming from Washington, and wanting to count people and count things. And so I think it was a mistake to take that area. And so anyway, we are just trying to develop as a school district and serve our people and serve what is there in Sarpy County. And we appreciate very much your attention to this matter. And I would very much, again, leave with you, the fact is, I think there is one problem in

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that bill yet, is when it says agreements are binding forever. I think there ought to be a provision in there at the time of annexation to have that exempt and to deal with the...you know, the community that we have in Bellevue, and which is served by Bellevue. Okay?

SENATOR BYARS: Thank you very much.

JOHN DEEGAN: Thank you very much.

SENATOR BYARS: Any questions? If not, thank you very much. Next opponent. And I think this is the last opponent. Thank you.

GARY TROUTMAN: Thank you. Senator Byars and members of the committee, thank you again for having a hearing today and the opportunity to visit with you. I'll make my comments very short. I was sitting back there thinking as to whether or not I should ask that you consider my opposition earlier. And I don't know if I said that much, so I'll just leave it...

SENATOR BYARS: Well, please be sure to identify yourself again.

GARY TROUTMAN: Oh, I'm sorry. I'm Gary Troutman, city administrator, city of Bellevue. Just two quick comments I have, is, again, the legislative committee of the city of Bellevue has reviewed this bill, and wish to go on record as opposition. And we also concur with Dr. Deegan regarding the last paragraph of the existing bill, which addresses all negotiated agreements. It seems to me that what we're seeing today is...in the old saying, is, whatever the school district does affects the city, and whatever the city does affects the school district. And therefore, we need to very much partner with the local school districts, as well as, we're working with the cities on these common problems. And that's basically all I have to say this time, Senator. Thank you.

SENATOR BYARS: Thank you very much. Any questions? If not, thank you very much. Just one last time, any other opponents? Anyone to testify neutral? If not, the hearing will be closed on LB 199, and opened on LB 198.

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LB

SENATOR RAIKES: I had an eloquent close prepared.

SENATOR BYARS: I'm sorry?

SENATOR RAIKES: I had an eloquent...

SENATOR BYARS: Oh, excuse me. Would you like to close, Senator Raikes? (Laughter) Are you finished? If you would care to do your closing prior to your introduction of LB 198, the committee would allow you to do that.

LB 198

SENATOR RAIKES: Thank you. Thank you, Senator Byars. Actually, I would just say that it was not my intent to do so, but I think Senator Kremer's bill and the one I introduced gave you...for some of you veterans that have forgotten the arguments, or some of you new folks that hadn't heard them all yet, sort of a good introduction to the annexation wars. But it is an important policy area, so. Senator Ron Raikes here to introduce LB 198. LB 198 is a new topic. Well, no, it's not a new topic. It's not the same topic. It's an old topic, but not the same topic. It's old in the sense that this is a bill that...or proposal that has been introduced at least twice. In fact, I think we were sure it had passed at one time, and then looked and found out that, no, it hadn't. The notion is this. Let me explain it very quickly. Go back to, needs minus resources equals aid--the equalization formula. That masks, in and of itself, that simple formula, the time lags involved. And the resource number may not match in the time period the needs and then also the aid part of the formula. So...and of course, the resource, and therefore the aid that you get--needs minus resources equals aid--is based on your ability to tax. If your tax base changes from the interval that the resource that goes in that formula is established, or the numbers that are used, and the school year that we're funding for, then there's potential for problem. And that's what this bill deals with. So if we have a school district, we calculate the needs for it, we calculate the resource, certify the aid. But at some point between the time that that aid was calculated, was certified, and the beginning of the school year, the tax base changes because of annexation, then there's a potential problem. The school district that

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is annexed into doesn't get the state aid because the resource base was, as it turns out, artificially high, but they also don't have the property tax base to tax because the annexation has occurred and it's gone off to another district. So you have the potential there for a school district to lose twice--to lose on the aid, and also to lose on the property taxing ability. But then, of course, you also have the potential to win twice. If I am the school district that received the property in the annexation, the way it stands now, I would get the additional state aid, assuming that I didn't calculate it when I didn't have the property. Plus, I'd also have the ability to tax the property which has now come into my district. This proposal is a fix for that problem in the state aid formula. And what happens is, we take into account those kinds of annexations. And you ask, well, how big an annexation? We give affected school districts an opportunity to apply for this sort of relief. So anything that's big enough for them to apply would be considered. Then the timing issue is basically taken away, so that your aid, certified aid, matches the resource base that you actually have to tax. Now, I'm not going to go into the particular details associated with it. But I will, you know, try to address questions, and you can look at the bill summary which Tammy has prepared. I will tell you that it's not a hypothetical, that this never happens or hasn't happened in the past. There was an instance, oh, two or three years ago, when a manufacturing plant out northwest of Lincoln, owned by Kawasaki, which at that time was located in the Malcolm school district...yeah, I think that's right, the Malcolm school district...for reasons separate from Lincoln school district's interests, that was...they wanted to be annexed because of the provision of city services. Well, the policy, of course, is that as the school district boundary goes out there, so goes the school district...the city boundary, school district boundary. So Kawasaki all of a sudden became a part of the Lincoln school district. This caused, because of the reasons I've just explained, a considerable hardship on Malcolm, because it's a big chunk of valuation, obviously, it's a big operation they have out there. And so Malcolm ended up with neither the state aid or the property taxing ability that would have been theirs, whereas Lincoln ended up with both the valuation and the state aid. Now, to Lincoln Public Schools' credit, they agreed, the school board and the administration agreed, to

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make the situation right. And basically, the resolution of that led to the provisions of this bill. The resolution of that, along with some other tweaking and so on. So that's the basis. I think that this is something that you can be confident of, in at least two respects. One, it's not a brand-new idea, one that we've just thrown...it's sort of stood the test of time. The other thing is, it deals with an important issue that affects schools, and I think does it in a manner that's fair. Now, we use, in...we use the local effort rate as the property tax amount, to set things equal, rather than the actual school levy. So, yes, you can argue that a school district that's losing property in an annexation wouldn't make...wouldn't be made entirely whole to the extent they levy some above that local effort rate. But nonetheless, I think it is a fair resolution, and something I'd like you to consider, again. We've done this a couple times before.

SENATOR BYARS: Thank you, Senator Raikes. Any questions of Senator Raikes? Thank you, Senator. Will you be closing, Senator?

SENATOR RAIKES: I'll consider that invite. Thank you.

SENATOR BYARS: Any proponents? Any opponents? Anyone testifying neutral? If not, this will close the hearing on LB 198. Would you care to close, Senator Raikes?

SENATOR RAIKES: No, but I need to figure out what I'm going to say next.

SENATOR BYARS: This will close the hearing on LB 198. And Senator Raikes, to open on LB 197.

SENATOR RAIKES: Just because nobody says anything, it doesn't mean it's a bad bill.

SENATOR McDONALD: Well, I just want to know if anybody cared. We don't know yet.

LB 197

SENATOR RAIKES: Senator Byars and members of the Education Committee. Ron Raikes, District 25, here to introduce

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LB 197. Now, I'm sure that just by reading this bill summary you'll have a complete grasp of what it is this is about. Not. Let me try to explain. This involves agreements between school districts arrived at in annexation negotiations. And let me apologize at this point for not having something written that you could kind of follow through here in the way of an example. But I will get that for you. It basically says that if a payment is made from one school district to another, the payment is recognized in calculating state aid to that receiving system. So any payment you receive from another school district as a part of an annexation agreement, that counts as a resource in your state aid calculation, and so would thereby, if you're an equalized system, or even if you're not, reduce your potential for state aid. So for example, suppose you have a city school system which is equalized, and you have a surrounding school system, or surrounding...a school system outside the city that is not equalized. And suppose there's a proposal by the city to annex property into that nonequalized school system on the city boundary. All right. So we're the city, and the city equalized school system and the nonequalized system outside. We make a deal. The deal involves the following. The city boundary moves; the school district doesn't, school district boundary doesn't. In exchange, we, the nonequalized school system, will collect property tax on the area in question, the part annexed by the city, and pay X percent to the city school system, which is not an accountable receipt. Okay? Consider the impact of this kind of an agreement on three parties--the equalized school system, the nonequalized school system, and the state of Nebraska, which of course you and I are charged, in addition to our provincial responsibilities, to look out for. With the deal, again, the boundary...the school district boundary stays, but money moves. Money moves from the nonequalized school district to the equalized school district, by agreement. Without the deal, my assumption here, the boundary and the property move. We're going to have an annexation by the equalized system into the nonequalized system. All right. Consider how each of the three parties I mentioned fares under this deal. The equalized school system, with the deal, they are going to get money above what they would get through the normal equalization formula. They're going to get a payment that is outside their...not considered an accountable receipt, so it's sort of extra, on the top, money. If there's no deal,

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they would get equalization aid only. So the equalized system, chances, if they're paying attention at all to money, would probably prefer the deal. The nonequalized system. With the deal, they're going to keep 100-minus-X percent of the property tax receipts. In other words, whatever they have to agree to give to the equalized system they lose, but the rest of it they keep, because it's still in their system and they collect property tax on that base. If there's no deal, they lose the property and they keep 0 percent of the property tax receipts. So clearly, for the equalized system...or the nonequalized system, as well as the equalized system, money talks; the deal is the best deal. Okay. Consider the state. With the deal, there is a status quo on equilibrium aid. Same amount of money. If there is no deal, the state would pay less in equalization aid, because resource moves from the property-rich district to the property-poor district. So even though the equalized and the nonequalized school districts would prefer the deal, no deal is the best outcome for the state. Okay? The fix, proposed in LB...is this one 197? LB 197. For the equalized system, their needs would be funded, deal or no deal. They're not going to get any payment above the equalization aid, but their needs would be funded. For the nonequalized system, their needs would remain overfunded, although they would have less property tax resources, so they would be a little less overfunded than what they are now. And again, there's some assumptions involved here. For the state, under the fix, there would be less equalization aid, to the extent that the payment or property tax resource moves to the equalized district. Now, keep in mind there that the...this fix is not necessarily quashing the deal. It doesn't say you can't make the deal. But I think maybe some people behind me will suggest that it sours the taste of it a little bit. I am telling you that in looking out for state aid, and the state's obligation to fund school districts in Nebraska, this is a fix that we need to do.

SENATOR BYARS: Thank you, Senator Raikes. Questions of the committee? Thanks, Senator.

SENATOR McDONALD: Should we rename this to "let's make a deal"? (Laughter)

SENATOR BYARS: Any proponents...

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SENATOR RAIKES: Oh, LB 197 is...

SENATOR BYARS: ...of LB 197?

SENATOR RAIKES: ...a much catchier title.

SENATOR BYARS: Proponents of LB 197? Opponents of LB 197?
How many opponents do we have? Two?

TOM BEHMER: We may have two.

SENATOR BYARS: Okay. May. Okay, thank you. Welcome.

TOM BEHMER: Welcome, Senator Byars. Members of the Education Committee, my name is Tom Behmer, B-e-h-m-e-r. I am president of the Adams Central board of education, and oppose LB 197. I'm humbled to be here today, not only because I'm appearing before the Education Committee, but also because this is an historic moment for the Hastings community. This is the first time that a single board member has represented both Adams Central and Hastings boards of education. On September 29, 2004, after months of hard work and deliberation, the Adams Central school district and the Hastings public school district signed an interlocal agreement, forged under the Interlocal Cooperation Act. As you're aware, the purpose of the interlocal cooperation act is to permit local governmental units to make the most efficient use of their taxing authority and other powers, by enabling them to cooperate with other localities on a basis of mutual advantage, thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will best accord with geographic, economic, population, and other factors influencing the needs and development of local communities. Adams Central-Hastings Public interlocal agreement essentially freezes those school boundaries, and calls for the sharing of resources between the two districts. In accordance with the Interlocal Cooperation Act, as previously cited, the two districts are cooperating on a basis of mutual advantage and making the most efficient use of taxing authority. Adams Central's contribution is actual dollars, while Hastings is contributing in-kind use of expertise, programming, and facilities. Why has LB 197 been introduced? Quite simply, LB 197 is a specific response to the landmark agreement

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between Hastings Public Schools and Adams Central's school district. It's an attempt to make the shared dollars, tax dollars, through a co-op fund and accountable receipt in the state aid formula, and thus eliminating the mutual advantage, as allowed in the Interlocal Cooperation Act. If this bill is advanced to the floor, a justifiable argument could be made that all of the thousands of interlocal cooperation agreements now in place could or should be determined to be illegal. In terms of total state dollars, this agreement does not create a financial burden for the state. While it's true that Hastings will not receive fewer state aid dollars, it is also true that they will not receive more state aid dollars. Adams Central will receive the same dollars from option students previous to this agreement. Absent the agreement, students in the annexed areas would be considered option-in students, and thus the state would be expending more dollars in option money. Will this agreement open a can of worms and create problems for the state funding mechanism? The answer is, we feel, no. This agreement is in accordance with current state statutes and is specific to the Hastings and Adams Central school district. The advantages of this agreement are numerous. The benefit to the Hastings community at large is immeasurable. This agreement enables the districts to avoid current and future annexation issues and problems. Setting district boundaries in 2004 provided stability...will provide stability for growth, planning, and development of our respective student populations, which is critical to student education. Stability in district boundaries is important enough to Class IV and V districts, which includes only Lincoln and Omaha, that annexation laws allows those respective boards of education to vote on any annexation that might trigger an encroachment on their district boundaries. Other districts in the state are treated differently, and are not afforded the same protection and advantages as Lincoln and Omaha. After nearly 40 years, many of those years marked by distrust and bad faith and the upheaval of annexation, Hastings Public and Adams Central resolved their differences with a new sense of cooperation, and exciting opportunities dawned in the community of Hastings. This interlocal agreement between Hastings and Adams Central provides the catalyst and incentive for both districts to continue working together and providing the best for all students, patrons, and community. We urge you not to advance LB 197. I appreciate your time, and I'll try

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to answer any questions.

SENATOR BYARS: Thank you, Mr. Behmer. Do I feel merger in the wind? Do I?

_____ : No.

TOM BEHMER: (Laugh) No. But we have two boards that are finally communicating with each other.

SENATOR BYARS: That's very good.

TOM BEHMER: This was not the case before. Due to our administrations, both boards of education, we've come to the table. We have plans in the future for doing things on a cooperative basis, joint workshops. I can't say merger is in the wind, but we're talking to each other and we're there for the betterment of our communities and our kids.

SENATOR BYARS: Great. Thank you, Mr. Behmer. Senator Schrock.

TOM BEHMER: Yes, sir.

SENATOR SCHROCK: Tom,...

TOM BEHMER: Yes.

SENATOR SCHROCK: ...I wasn't born yesterday. But Adams Central is a nonequalized district?

TOM BEHMER: Right.

SENATOR SCHROCK: And by freezing the boundaries, you guarantee that they're going to stay nonequalized, and probably gain in valuation. And by freezing the boundaries, they've agreed to share some of that wealth with you? Is that what I'm hearing?

TOM BEHMER: What we're doing is paying a percentage into a cooperative fund, based on our levy. Any future growth will proportionately be paid to the Hastings public system, and that proportion of growth will stay with us.

SENATOR SCHROCK: The growth...the valuation growth will go

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to Hastings Public?

TOM BEHMER: The existing agreement provides for 70 percent, based on our levy, to be paid into the Hastings cooperative fund. As that valuation goes up, their 70 percent dollars will go up, as will our share. So we're both sharing in the growth.

SENATOR SCHROCK: But your agreement would allow Adams Central to be...to maintain or stay more unequalized than they would be without this interlocal agreement?

TOM BEHMER: That's the way I understand it, yes.

SENATOR SCHROCK: All right. Then I think I know what's going on, but I'm not sure.

SENATOR BYARS: Thank you, Senator. Other questions of the committee? Thank you very much for being here.

TOM BEHMER: Thank you.

SENATOR BYARS: Next opponent.

CRAIG KAUTZ: My name is Craig Kautz, last name spelled K-a-u-t-z. I'm the assistant superintendent for the Hastings Public Schools. I had not planned to testify today. In fact, our understanding and agreement was that Tom would speak for both boards, because there is a spirit of cooperation between the two districts. I do want to address a couple of the questions, though, that tell you the rest of the story. First of all, because of the taxation and school laws of the state of Nebraska, a lot of economic development is occurring in Hastings. But a lot of that economic development occurs just outside the city of Hastings. It is an area where residential growth has been extraordinary. For my time with the Hastings Public Schools, which extends over 14 years, but I'm told that extends for 40 years, there has been an inability of the two districts to get along with each other. They have continued a neighborhood squabble, I guess, as it's been called earlier today, for about 40 years, basically because there's property value needed to support schools and school children in those two areas. If we simply took the land, the Hastings Public Schools, we in fact might squash economic

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development in that outer circle. Because people will build property where they can afford to build property, and right now, to be quite honest with you, because of our levy and the city levy, it's more affordable to build property outside of Hastings than it is inside. And yet, we are a poor, property-poor school district, needing access to revenue, needing access to growth that would normally come through annexation. We had a very simple choice as a school district--go ahead and follow the annexation laws, where the city boundaries extend the school boundaries, and continue a war that's lasted for 40 years; or cooperate, gain some revenue, avoid transportation costs. One of the assumptions here is that somehow, by getting equalization aid, the Hastings Public Schools would have gotten the money that they would have needed. Unfortunately, they would have also taken on an additional obligation, as we interpret the state laws, for transporting kids. By not taking that land, we avoided that. Finally--and I still have a light--so finally, you know, is the state losing on this? One of the things I think that I have heard from the state in general is the need to gain greater efficiency. That greater efficiency comes with economy of scale. That does come with unified districts, districts that are able to leverage resources as far as they can. I will tell you that under this agreement, while I would not say that there is going to be a merger or a unification any time soon, in the long run, if we have two school districts working together on mutual interests, and they find other ways to cooperate, won't that eventually help the state to also obtain their goal of making schools more efficient through the economy of scale that can occur when schools are right size, okay? Not necessarily small or not necessarily large, but right size. I thank you for this time. I hope my colleagues from...a group of people that I have come to admire, would agree with my testimony today. We had not talked about that, because I'm somewhat reacting to the testimony that was given here. I apologize for my superintendent of schools not being here. He is quite ill with a heart condition in Cleveland, Ohio. And work and other things kept our board from being here. But I would certainly try to represent them as best as I can.

SENATOR BYARS: Thank you very much for your testimony. Any questions? Senator Stuhr.

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SENATOR STUHR: I don't have any questions, just a comment. And I certainly want to commend you on the cooperation and cooperative spirit, because we just don't see that everywhere. So I really do want to (inaudible).

CRAIG KAUTZ: Thank you for that. As we listened to the testimony earlier, we thought maybe our agreement would help some other districts as well.

SENATOR BYARS: Thank you very much. Any other opponents?

BILL LINDSTEADT: (Exhibit 9) My name is Bill Lindsteadt, L-i-n-d-s-t-e-a-d-t. I'm passing out an invitation that was given to the Adams Central superintendent and the Hastings Public School superintendent, inviting both superintendents and both school boards to the Hastings Chamber of Commerce annual meeting, notifying them that they will be honored with the Max Award for their spirit of cooperation and their work together over this agreement. I am a Hastings businessman. I am also on the Adams Central board of education. My family and I moved to Hastings in 1985. My three children attended Hastings Public Schools. In 1994, we purchased a different home, which put us in the Adams Central school district. And I'd like to preface one thing on that. We did not move to change school districts. In fact, my wife and I were so ignorant at the time that we didn't realize we were in a different school district. But prior to my children going to Adams Central, they attended District 33 elementary school. So my children went to all three different school districts. All three school districts provided a good education for our children. But all three districts are very different. When you live in Adams County, it does not take long to learn about the controversy between Hastings Public and Adams Central. The bad relations between the two school districts has been going on for 40-some-odd years. I am not a native, so I cannot fully empathize with those who grew up in Adams County. But I can tell you that the feelings run very, very deep. It is comparable to an open wound that never seems to heal. Finally, in 2004, both school boards found some common ground and were able to put together an interlocal agreement that would mutually benefit both districts. Many in and around Hastings believe that this agreement is the most positive development in Adams County in the past 40 years. I'm afraid LB 197 would destroy the good will, the

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cooperation, and the trust that this agreement has created, and put both school districts at odds once again. Please do not put us in that position. I realize that our agreement is not perfect, and I further understand that our agreement isn't...may not fit neatly within your philosophy of how school districts should finance their operations. But our agreement is a practical solution to years of bitter conflict. Currently, there is a scab over the wound in Adams County, and it's beginning to heal. But we need time, time to work together. If the Nebraska Legislature passes LB 197, it would be as if you ripped the scab off of the wound and the bleeding will start all over again. I urge you not to advance this bill, and I appreciate your time.

SENATOR BYARS: Thank you, Mr. Lindsteadt. Any questions or comments of Mr. Lindsteadt? Thank you for being here today. Any other opponents of LB 197? Are there any other opponents? Every time I've asked, there's been one, and then one, and then one, and...any more? Any other opponents? This will be the final opponent of LB 197. Welcome.

MEL CROWE: Welcome to you, too, and I thank you for being...letting me be here. (Laugh) Thank you for being here too. I had not planned to speak either, as Mr. Kautz had not planned to. But I wanted to address a couple of issues...

SENATOR BYARS: Be sure to identify yourself...

MEL CROWE: Excuse me.

SENATOR BYARS: ...for the record.

MEL CROWE: Excuse me. My name is Mel Crow, C-r-o-w-e. I'm the superintendent at Adams Central. And there were a couple of things brought up, I think one by Senator Raikes and one by Senator Schrock, which I wanted to address. One of the questions was, will this agreement allow you to remain a nonequalized district? And the answer to that is, no. And the reason is, we will be losing 70 percent of the tax money from every piece of ground that is annexed. And the other reason is, when this property is brought into the city, if it were brought into the city, absent disagreement, those students would become option students to Adams

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Central. So the state would be paying \$5,400 per student for those students that live in those annexed areas. So that's a loss to Adams Central and a gain to the state. And I don't...you know, you're looking at dollars. It's not going to be a dollar-for-dollar loss. You look perplexed, Senator Raikes.

SENATOR RAIKES: That's my perennial condition.

MEL CROWE: Okay. That's all I had to say. But it's not an issue where Hastings is going to gain and Adams Central is going to gain also. There could be a point when the option money is more than the tax money that we would receive.

SENATOR BYARS: Thank you, Mr. Crowe. Appreciate that. Senator Schrock.

SENATOR SCHROCK: I assume your right arm is not a result of any school wars that took place in the county. (Laughter)

MEL CROWE: No.

SENATOR SCHROCK: Mel, help me out here. If Hastings annexes this ground, they get 70 percent of the valuation and you get 30 percent?

MEL CROWE: With our agreement, when Hastings annexes a property, the property stays in the Adams Central district, Hastings Public gets 70 percent of the tax dollars.

SENATOR SCHROCK: And so if that student continued to go to school in Adams Central, they would not be a choice student?

MEL CROWE: No, they would not be. However,...

SENATOR SCHROCK: If they went to Hastings, they become a choice student?

MEL CROWE: However, the students would become option students if we did not have this agreement, and we would get option money.

SENATOR SCHROCK: Okay.

MEL CROWE: So if there's 40...Westbrook is one of the areas

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that's involved. If there was 40 students there that were attending Adams Central, absent disagreement, we would receive two hundred and some thousand dollars for those students. With this agreement, we will not receive the option money. So if you subtract that from the tax dollars, it's not that big a loss.

SENATOR SCHROCK: I'm not clear. The option students automatically get, what, \$5,400 per student?

MEL CROWE: Well, approximately.

SENATOR SCHROCK: And is there more options going to Adams Central?

MEL CROWE: Absolutely.

SENATOR SCHROCK: And right now, you receive \$5,400 for everyone who options out of Hastings?

MEL CROWE: Um-hum.

SENATOR SCHROCK: And this agreement, they would become a part of the Hastings system...no, they wouldn't become part of it.

MEL CROWE: They would not become. So they would not be option students at Adams Central.

SENATOR SCHROCK: Okay.

SENATOR BYARS: Thank you, Senator Schrock. Senator Raikes.

SENATOR RAIKES: Yeah, just to, I guess, elaborate on my confusion. Right now, basically, all of the students are being paid for by the state, so to speak. In the case of Adams Central, they're being more than paid for, because you're nonequalized and you got more resources than you need to meet needs. The ones in Hastings, in order to get up to needs, the state has to kick in some state aid. So really, isn't it a question of whether or not we take additional resource that is more than what's needed to support the Adams Central students, and put it into Hastings, where there is less property resource than is needed to support the students, by virtue of the fact that they're equalized?

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MEL CROWE: Well, first of all, I would agree with you on that part. But sitting through all the annexation hearings that we've had today, we've heard some schools where...like Papillion, where people will not build unless they're guaranteed to be in the Papillion district. In our district, we've got people who will not build unless...or, who built and have been in our district and now they're being annexed so they would be in the Hastings district. So with all the confusion, with the annexation laws, everybody being different, we've been forced...now, we've made this agreement under the law, and now, I won't say you, but someone has come back and said, okay, you guys have done this; now it's not going to happen, because you're using state aid dollars. If we can't get something done with the annexation laws, get something accomplished, then I don't think we should be sitting here and being criticized for working something out. And I know you're not criticizing us. But I don't think it should be nullified after we've worked on this agreement, and then come back after the fact and say, well, we're sorry, but it's not going to work that way.

SENATOR BYARS: Any other questions, comments? Thank you very much for being here.

MEL CROWE: You bet. Thank you.

SENATOR BYARS: Any other opponents? Anyone wishing to testify neutral? Would you care to close, Senator Raikes?

SENATOR RAIKES: I would not, thank you.

SENATOR BYARS: Senator Raikes waives closing. This will close the hearing on LB 197, and close hearings for the day. Thank you very much.