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Revenue Committee
March 07, 2007

[LB170 LB604 LB605 LB640]

The Committee on Revenue met at 2:30 p.m. on Wednesday, March 7, 2007, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB170, LB604, LB605, and LB640. Senators present: Ray Janssen, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Carroll Burling; Abbie Cornett; Chris Langemeier; Don Preister; Ron Raikes; and Tom White. Senators absent: None. [LB170]

SENATOR JANSSEN: Good afternoon, ladies and gentlemen. If you could all cut down on your conversation now and take a seat we'll begin the hearings for this afternoon. We're here this afternoon to hear four bills--LB170, LB604, LB605, and LB640. For the record, my name is Ray Janssen, representing the 15th District in your Unicameral. And the Senators are with us here today are to my far left, Senator Don Preister from Omaha, Senator Carroll Burling. On my far right is the clerk, Erma James, and next to her is Senator White from Omaha and to his left is Senator--what was that again--Ron Raikes from Lincoln. And George Kilpatrick is our legal counsel. And Marcus is still our page. I know you've heard this a thousand times, but if you're going to testify there area sheets in the back of the room by each door, sign-in sheets... [LB170]

SENATOR RAIKES: That was the time for the phones, Ray. [LB170]

SENATOR LANGEMEIER: You need to do the phone announcement there. [LB170]

SENATOR JANSSEN: Oh, I haven't done the phones yet (laughter). I'm going to save that for last. Anyway, fill out those sign-in sheets and drop them in the committee box when you come up...the clerk's box right there on the corner before you come up to testify. Shut the phones off. No cell phones, please. I think we covered everything, so Senator Kopplin is here to tell us about LB170. Senator Cap Dierks has joined us. Welcome, Senator Kopplin. [LB170]

SENATOR KOPPLIN: Good afternoon, Senator Janssen, members of the Revenue Committee. My name is Gail, G-a-i-l, Kopplin, K-o-p-p-l-i-n, and I represent the 3rd Legislative District. I'm before you today to introduce LB170. This bill will change the current levy limit for educational service units from 1.5 cents per \$100 of property valuation to 2.5 cents per \$100 property valuation. I'm a big proponent of educational service units. I think Nebraska's 17 ESUs do an excellent job of serving their member school districts. The idea behind the formation and the continuing mission of ESUs is to assist school districts in providing an equal educational opportunity to all students by having an entity that provides supplemental services to school districts. That is what our educational service units have done and continue to do, mostly on a shoestring budget. ESUs seem to be getting a lot of attention lately. During the last interim, yet another study of ESUs was conducted by the Education Committee. The LR336 study looked at

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a number of issues regarding ESUs. Those issues included boundaries, governance, service, and finance. There have also been a number of bills introduced this session dealing with ESUs. But with everything that has been studied and the bills introduced, I don't believe one important point has been laid on the table. ESUs had their levy authority cut during the budget crisis years of the 1990s and it's never been restored. Prior to those cuts, the ESUs had a total of 4 cents of levy authority with a half cent of that authority to be used for technology infrastructure. Now the Appropriation Committee's preliminary budget proposes cutting state aid to ESUs by 1.6 percent. Cuts in state aid and reduced levy authority make for a very unstable funding situation for ESUs. That instability has led ESUs to seek other funding sources. The LR336 study found that ESUs are very reliant, perhaps even overly reliant, on grants as a source of funding for the services they are asked to provide. While grants can allow an ESU to provide services and educational opportunities to its member school districts which might otherwise be unavailable, grants are only temporary and can disappear almost literally overnight. One of the things we look for in funding political subdivisions is a stable funding source. That is one of the reasons I introduce this bill to provide a consistent and stable funding to the ESUs. The other reason I introduced LB170 was fairness. I believe it's the fair and right thing to do to restore at least some of the levy authority that was taken away from them 10 years ago. Educational service units are an important component of providing educational opportunity in Nebraska. Let's make sure they have the resources to do what we ask them to do. In other words, I think every aspect of funding should be on the table when the issues of ESUs are discussed. Thank you for your consideration. I'll be happy to answer questions you may have for me. [LB170]

SENATOR JANSSEN: Questions? Senator Raikes. [LB170]

SENATOR RAIKES: Senator, comment, if you would, on what you think the differences in ESU services should be or are for a 250 student K-12 district versus a 22,000 student school district? [LB170]

SENATOR KOPPLIN: All services that ESUs provide come from the superintendents of the districts that make up those service units who ask for the services, the schools. So there could be extreme differences in the services provided. Naturally, the one with the most students is going to have the most services most likely. [LB170]

SENATOR RAIKES: Okay, thank you. [LB170]

SENATOR JANSSEN: Any other questions? Don't see any, thank you, Senator Kopplin. [LB170]

SENATOR KOPPLIN: Thank you. I will not close. [LB170]

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SENATOR JANSSEN: All right. He waives closing. All right. We will take proponents first. How many of you are there that are going to testify in support? How about in opposition? Neutral? All right. Okay. Mary? [LB170]

MARY CAMPBELL: (Exhibits 1 and 2) Senator Janssen, members of the Revenue Committee, my name is Mary Campbell, C-a-m-p-b-e-l-l, representing the Educational Service Units. At the onset, I certainly want to give voice or thank Senator Kopplin for giving voice to a very often repeated sentiment among many of the administrators and the schools they represent, namely why can't we have our levy authority back? We need that, as he very aptly and concisely framed it, for that stability and equity and predictability that comes with that kind of funding. As the Senator mentioned, too, the ESUs have been the subject of many studies. The most recent of which was in the recent interim, 2006, when education staff, other staff, and the Fiscal Office, looked at the ESUs and produced this tome which I really highly recommend to all of you and your staff and your offices as an excellent background resource on all aspects of the service units. What I'd like to do today is just very briefly share a couple thoughts from it. The top sheet, which you can separately remove, is just a little cliff's notes on ESUs--what they are, why they are, how they got to be there, and how things function. Beyond that, stapled together are five pages from the study which dealt with and summarized their findings on the financial aspects of ESUs, which is directly related to LB170. And I'm just going to touch on a few of the highlights of that, because Senator Kopplin really has laid things out for you very completely. ESUs have basically four sources of funding. The first being the property taxes. Again, what we're focusing on with this bill. And as of the legislative session in 1997, they also received state aid in the form of core service dollars for core services and technology infrastructure. A third source of funding for them, which they are loathe to use and generally just use in a couple of areas, and that is contracting with the schools to have their direct payment for those services. And finally, again, as Senator Kopplin mentioned, something that is often dangerous to do but fills the gaps and that is grants. And so you're going to have a considerable variance in who gets those grants and who is most likely able to benefit from those monies to, again, fill in the gaps. Without repeating too much here, core services coming in in '97, infrastructure coming in the year after that. One part of the study involved a couple of surveys--one of the administrators and then also of their patrons, the school superintendents. And overwhelmingly is the word used in the study. Overwhelming support for the current levy to be retained and that that levy authority continue to rest with the ESUs and not with the school districts themselves. Another just two lines that I want to read to you because I think they summarize the financial dilemma, ESUs have over \$17.5 million less potential funding under the current levy limits and core service funding than they had on the old levy limit without any state aid. There is a qualifier and it reads if the actual previous levies are used then the loss is reduced to 9.5. So that's on the property side, a loss of dollars there, but the same true of state funding. If the funding had increased according to the original intent language of core services, the current appropriation today would be \$3.6 million higher than is the

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case. Long and short of it is, and I don't want to sound too whiny about it, but the funding has not met the need and I would contend the intent and promise made in years past. And I think I'll just stop there with one last policy alternative laid out in the study and that was that core service appropriations could be increased to reflect the legislative intent, including past increases that have not occurred. And I just couple that with their ongoing preference for property taxes as the one stable and reliable and predictable funding source over the course of the history of the units, which were first formed in 1965. With that, I would take questions. [LB170]

SENATOR JANSSEN: Any questions? Ron. [LB170]

SENATOR RAIKES: Mary, how have the demands upon ESUs to provide services changed over the past five, ten years, whatever period you choose? [LB170]

MARY CAMPBELL: I think a lot of that has come through things that have come to the Department of Education and to the state in general and through this--I was going to say this body but looking at you, Senator--through the Education Committee. Things like STARS assessments, new demands to increase the quality of what is happening in the classroom, by training teachers to perform those services. I think the way technology has come into education has been a huge change and it was really put in place by the ESUs. They got the schools wired and then they took it the next step of then working with the schools to design proper and effective curricula to use those new tools. So I think some of the things coming through No Child Left Behind, STARS, things of that nature, and I think technology itself would be two that I would point to as significant change. One of the speakers on the next bill will pursue that more in depth. [LB170]

SENATOR JANSSEN: Any other questions? Cap. [LB170]

SENATOR DIERKS: Mary, you mentioned the various sources of funding for the service units. Explain to me how the funding works. When do the service units get to the point where they have to utilize the property tax for their services? When do they get to the point where they have used up what they can get from the information or money they can get from the schools, for instance? [LB170]

MARY CAMPBELL: Again, I will defer and I think that will come out in the next bill. I don't want to repeat what you'll hear then... [LB170]

SENATOR DIERKS: Okay. [LB170]

MARY CAMPBELL: ...but it's all part of the planning and budgeting process with their schools and with their boards getting the property tax valuation figures and starting to plot and plan, seeing what comes through state aid through core service dollars from this body. And a lot of payments are in arrears or there is some timing which requires

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them certainly to have reserves to cover the gaps and the delays in the flow of money for some of these needs. But again, I'm not the finance expert on this. And we do have some administrators here who can... [LB170]

SENATOR DIERKS: We'll pick on somebody else. [LB170]

MARY CAMPBELL: Very good. I appreciate that. [LB170]

SENATOR JANSSEN: Any other questions? Mary, I have a couple. Did I understand you right when you said that in our budget crunch you lost \$17.5 million in funding. Is that correct? [LB170]

MARY CAMPBELL: Well, when we went from the 3.5 plus a half... [LB170]

SENATOR JANSSEN: Yeah. [LB170]

MARY CAMPBELL: ...and then when added in core services, if we had just stayed with the 3.5 plus half, 4 cent potential cap of property tax dollars compared to what, again just reading, \$17.5 million less in potential funding using the current levy limit and core service dollars funding, compared to when we were just doing it all with property taxes. [LB170]

SENATOR JANSSEN: Okay. All right. Thank you. [LB170]

MARY CAMPBELL: Um-hum. [LB170]

SENATOR JANSSEN: Don't see any other questions, thank you. [LB170]

MARY CAMPBELL: Thank you. [LB170]

SENATOR JANSSEN: Next proponent, please. [LB170]

RODNEY GARWOOD: Good afternoon, Senators. My name is Rodney V. Garwood, that's G-a-r-w-o-o-d. I live in Wayne, Nebraska. I'm the father of a handicap child who receives service from an ESU. My wife is a teacher and she also receives direct services from the ESU in such things as staff development, assessment assistance, the internet, and distance learning. So certainly I truthfully favor the passage of this bill and I commend the Senators for even considering it. It's tough to talk about increasing property taxes in today's climate, but I appreciate that you have the courage to do so. And when you talk about an increase, as Mary pointed out, maybe this really isn't an increase because at one time the 4 cents certainly is a long ways from adding another penny to the levy. Before that it was mill levies and that money was about the same. But when you talk about increasing taxes, of course the thing that you have to be really

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concerned about is the accountability for how that money is spent. And I really honestly think that the Unicameral has a fantastic accountability model in place for ESUs. First of all, they're governed by a citizen board and perhaps some of you have seen citizen boards that are spend thrifts, but I haven't. In fact, it's just the other way around. The other thing is the recipients of this service have to vote on how the money is to be spent. And in fact, two-thirds of the schools representing over 50 percent of the students must vote exactly how this money is to be spent. How would we look, in the state of Nebraska, if every agency that spent any government monies had to have a vote of the recipients and that two-thirds of them had to approve how it was spent? That's a pretty tough standard. The other standard that you already have in place is the Nebraska Department of Education. You know, they have accreditation standards that must be met and they also have advisory audits to make sure that the job is being done and it's done in the proper manner. And last and not least, but probably the best one that we have in Nebraska is the Unicameral. If there was money being frivolously spent, how long would it be before a Senator would hear about it? And how long do you think it would take the Unicameral to react to the idea that money was being frivolously spent? It wouldn't happen. So those are four pretty good steps that you already have in the accountability. You know, education in the past, we've really done a pretty darn good job, but the education that we've done for the past is not going to be good enough for the future. It's just that simple. We're going to have to retrain teachers. We're going to have to rethink education. Now who's close to the schools? Who's close to the teachers? You already have the mechanism in place and that's the ESUs. Now if you want to improve schools or you want to improve education that's not quite as popular as cutting taxes, but it's a big one. You know, I'm for improving education. Well, what are you going to do? Well, you're going to have to rethink and retrain teachers and that's going to cost some money. The people that can do that, the state department is not equipped the way they were 20 years ago with the consultants. Now that job is at the service units. So if you want to have this training and you want to improve, and to improve you have to change. You know, that's a whole new mechanism. But I think the educational service units are the ones that can do the job for us. And it's my sincere belief that the state of Nebraska will get the biggest bang for a buck for a penny--one cent. You'll get the biggest bang in education that you'll ever have. Thank you. [LB170]

SENATOR JANSSEN: Thank you. Any questions? I don't see any. Oh, all right. I'm sorry, Cap. [LB170]

SENATOR DIERKS: Rod, maybe you can answer the question that I asked Mary about. What triggers when you use up your dollars from the property tax to go to the schools to get more funding from them or is it the other way around? [LB170]

RODNEY GARWOOD: Well, here's the way it works. You know, first of all, as far as the web goes, you know, that's in the core service money. There's money designated for library services, for internet, and for staff development. Now the tax money, truthfully,

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that's the thing that glues the whole enterprise of most ESUs together. The core service money does not provide the core services that's being delivered to the schools. That's supplemented by the tax dollars. It's the same thing with special ed. Special ed is probably 35-40 percent of most ESUs' budgets, but you can't make money on special ed contracted services. In fact, you'd better lose some money because if you make money on special ed then the schools will lose reimbursement from the state. So how do you make up that money that you lose in special ed? Well, frankly, it's the tax money. The tax money is the glue. And as I say you have the greatest accountability model, I don't know whether that was done on purpose by the Unicameral or not, but if you take a look at those four steps for accountability of money in ESUs I don't know how you could ask for anything tighter or better. Does that help you at all? [LB170]

SENATOR DIERKS: That's fine. Thank you. [LB170]

SENATOR JANSSEN: Any other questions? Thank you, Rodney. [LB170]

RODNEY GARWOOD: Thank you. [LB170]

SENATOR JANSSEN: Next proponent. Any opponents? Anyone in a neutral capacity? I don't see any. That ends the hearing. Senator Kopplin waived closing so we will move on to LB604. Senator Raikes will be the introducer. [LB170]

SENATOR RAIKES: Thank you, Chairman Janssen, members of the Revenue Committee. Ron Raikes, District 25, the "prevailing district," here to introduce LB604. I'm taking a little different direction than my colleague, Senator Kopplin. I'm suggesting that we eliminate the property tax levy for ESUs. To compensate for the elimination of the levy authority, the bill adds language stating that would be the intent of the Legislature to increase the appropriation for core services and technology infrastructure by amount equal to the estimated revenue generated from a cent and a half statewide levy for the 2008-09 fiscal year. And I might add that I might reconsider this were it the case that ESUs would take on the job of providing legal services (laughter) for all of the...but really, there's a couple reasons why I suggest this and obviously one of them is property taxes. This would reduce property taxes in the state by about \$20.6 million for this fiscal year. And it would increase after that in proportion to valuation. But the second reason is perhaps more important. If you remember back to some of the discussion we had earlier, particularly about community colleges and eliminating the property tax levy for community colleges. I think most of the argument was well, we're going to eliminate that property tax authority and just pick up the expense at the state level. It's a shift. There's no real intention to do anything other than shift the funding from one source to another. I would suggest to you that in the case of ESUs, there probably is an opportunity here to reorganize the way you provide these services and I will certainly agree with my colleague, Senator Kopplin, that ESU services have been well-provided and valuable services. But a couple of things I will note. If you listen to

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Mary Campbell, the types of services that have been provided have been changed drastically over time. And quite often the changes from the need for a very regional or localized provision to one that can be efficiently handled on a statewide basis, but we have 17 ESUs and each ESU provides within their own area. Although I will tell you they have been very imaginative in how to deal with that. You've got one ESU that specializes in this service. You've got another ESU that specializes in another service. And maybe you've got a school district over here that wants the service provided to ESUs away. They provide interlocals and other things so that that can be done. In other words, my one view is a very imaginative system providing services. Another view is that they're having to work around the organizational structure in order to get the job done that they need to do. So the types of services that are being provided have changed drastically and STARS was mentioned. This has been, I think, a big load on many ESUs. The second thing is we're trying to make this very much a one size fits all ESU services in the state and it isn't. We've got a school district with 46,000 students K-12 and several that are 150 students K-12 or less. The requirements of those students or those districts in terms of outside services vary tremendously. You've got one school district in particular that has said we really would just as soon not play. We don't think we get what we pay for in ESU services. You've got, of course, several others--bigger ones--that say, you know, we need the funding but we really don't need professional development. A teaching staff, for example, we do that with in-house. It makes good sense because of our scale that we do that in-house. It doesn't make sense for us to pay taxes and have the core service money go elsewhere. Now again, there's been good imagination. There's been well, okay, you really don't need the core services so maybe we can provide you some money to make up for it. All I'm suggesting to you is that if you went to a state funding of ESUs it would be, I think, very feasible to do some constructive reorganization that would allow the services provided to change with the time and with the situation, including the size of school district served. So with that, I will stop. [LB604]

SENATOR JANSSEN: Senator Dierks. [LB604]

SENATOR DIERKS: Senator Raikes, I'll kind of ask you the same question only a little bit backwards maybe. If you eliminate the property tax assessment for ESUs, what services would the schools lose? [LB604]

SENATOR RAIKES: Well, a good question and the answer is ranges from none to a lot. If, in fact, the state stepped up to replace the property tax funding with state funding, presumably there could be the same amount of services or even more if in fact, there were some efficiencies picked up by a statewide provision rather than local provision. [LB604]

SENATOR DIERKS: You're talking about state aid then? [LB604]

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SENATOR RAIKES: Yes. [LB604]

SENATOR DIERKS: Yeah. [LB604]

SENATOR RAIKES: As Mary explained, we already do provide state aid. It's a combination of state aid and property tax funding. [LB604]

SENATOR DIERKS: Okay, thank you. [LB604]

SENATOR JANSSEN: Tom. [LB604]

SENATOR WHITE: Would there be changes in management structure along with the changes in funding? [LB604]

SENATOR RAIKES: In my view there would. I know that's a hard thing, but in terms of...I would say that it certainly could be a transition. Right now, you've got locally elected ESU boards that operate the ESUs and as was mentioned there is a superintendents advisory council that rules on the distribution of the money, which apparently is constitutional even though it looks an awful lot like the learning community council, but that gets us into another... [LB604]

SENATOR WHITE: Imagine that. Lawyers that aren't consistent. That just doesn't seem possible. [LB604]

SENATOR RAIKES: But I think you make a good point that if you open this up to the possibility that we can provide many of these services from a statewide platform rather than from 17 individual platforms, I think the management system and the efficiency certainly could be changed. [LB604]

SENATOR WHITE: Shouldn't that then come out, Senator, from, for example, the Educational Committee with an overall proposal with a new management structure with proposed cost, funding, savings, duties, mission statements rather than just mucking with the finance on the backside? Isn't this a real recreation from the ground up? [LB604]

SENATOR RAIKES: It's a good question and I will tell you that I think there were four or five ESU bills that ended up in the Education Committee this session. There were these three counting Senator Kopplin's, and I think the reason for the referencing was that this was felt to deal primarily with a property tax levy. But suppose the committee decided not to kill this bill and kept it in the committee, it would be possible for the Education Committee to include this idea in a package they were putting together or conversely this committee could take bills out of the Education...no, okay. (Laughter) [LB604]

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SENATOR WHITE: You lost me at the idea we don't kill bills (inaudible). [LB604]

SENATOR CORNETT: Ron, do you really want us to do that? (Laughter) [LB604]

SENATOR RAIKES: Any other questions? [LB604]

SENATOR RAIKES: I'm trying to cover all the options. [LB604]

SENATOR JANSSEN: Don't see any, Ron. Take proponents first. Don't all get up at the same time. Oh, there comes one. [LB604]

SENATOR RAIKES: Occasionally I do have a proponent. It's not often, but... [LB604]

SENATOR WHITE: He may have gotten lost on his way to the Educational Committee. (Laughter) [LB604]

JIM PAPPAS: Mr. Chairman, committee members, my name is Jim Pappas, P-a-p-p-a-s, representing the Bellevue School District. Also, I might add that it does get a little lonely at times coming up supporting one of Senator Raikes' bills I've noticed over the past several years. (Laughter) Bellevue School District is a unique school district not unlike a lot of other large school districts within the state of Nebraska. Two years ago Bellevue wanted to change from ESU 3 to ESU 19, which is OPS's ESU district. Because of the physical closeness and also the makeup of the student body, they would fit better in with ESU 19 than ESU 3. They went through the process. Department of Education denied that transfer over to ESU 19. Bellevue School District, right now, through another bill introduced in the other committee that the Senator was talking about a minute ago, would like to get out of an ESU. They are probably one of the few people would like to get out of the ESU and not keep the penny and a half mill levy for the taxation. They want to actually give the people that live in the Bellevue School District a penny and a half tax break, which would follow along with the makeup of this bill. The problem is the larger the school districts become, the more the services previously provided by ESUs, as pointed out, which what the ESUs were originally designed for as Senator Kopplin said in his opening bill, are provided in-house by these larger school districts. Last year there was a survey done, I think that Senator Raikes can expound on this when he gets back up here if he closes, on ESUs by superintendents. And 50 percent of the superintendents in the state of Nebraska said they didn't need ESUs. And because a lot of things have changed over the years, as Senator Raikes has expounded upon, that the services are changed...what has brought change. Bellevue School District, right now the only thing they receive from ESU 3 is core service money in the form of a tech person that is more or less loaned out to Bellevue School District to help in the tech area and they don't even need him. They would just as soon not have him. You know, they don't think they need ESUs. They would like to get out of an ESU and they support Senator Raikes' bill. [LB604]

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SENATOR JANSSEN: Any questions? Don't see any, Jim. Thank you. Any other proponents? Seeing none, we'll move to opponents. [LB604]

GREG BARNES: (Exhibit 3) Good afternoon, Senators. My name is Greg Barnes, B-a-r-n-e-s. I'm the superintendent of Bertrand Community School. Also the president of Nebraska Rural Community Schools Association. Bertrand is a member school of ESU 11 and as a result a lot of this information that I will visit with you about today was gathered with the help of ESU 11 staff and pertains to that ESU. Although, I think much of this information is very common in other ESUs across the state, especially in the rural settings. To answer some of maybe Senator Dierks' earlier questions, on this information I just handed out, I listed there at the top of the first page a listing of the services. These are the core services--which is what we're talking about--that we receive from ESU 11 at Bertrand Community School. You can see in the staff development, ESU has a staff development person that he's the expert in the area when it comes to all these programs that they try and they come out and educate our teachers on--STARS, No Child Left Behind, technology uses, integration into the classroom, and then the school improvement process. They also have a media library that provides the schools in ESU 11 library materials. We also have teaching aids that we can bring over to our school from ESU to utilize, and they've got countless video materials that can be utilized in our classrooms. The other thing that really benefits our school, the people at ESU 11 can get copyrighted software programs and they can get permission to allow the schools to utilize those so that we don't all have to separately purchase those software licenses on our own and so that's a financial gain for all school districts. The last thing there is the technology. ESU 11 provides our internet, hardware support, distance learning support, software support, and a great deal of advice on any technology application or uses in our building. And as I think about some of the questions I've heard, I think about ESUs...this isn't all they do. These are the core services. We also have a number of services that we contract with ESUs for. And I think maybe that might help answer your question a little bit, Senator Dierks. These are the things that Bertrand Community School...this is the penny and a half that we're talking about where we see our benefit. I'm not going to go down through all this information on this sheet. I think, you know, first of all, we're appreciative of Senator Raikes and all he does for education and I think this bill that he's proposed he has good reasons for proposing, but the concern, I think, on the schools' behalf is that, as has been stated several times, it's the stability of the revenue. And obviously in our minds, in my opinion, I'd firmly believe that there's no more stable revenue than that a property tax will generate. And when I think of, when you look at the information in this packet you'll see that ESU 11 over the years, the core service money that they've received for state dollars versus property taxes, as promised, they just haven't been what was promised. And you can see that their bank balance over the years has declined from \$902,000 in 2000-2001 down to \$413,000. And so the money that they have coming in hasn't been enough to pay for the programs they're offering the schools and the programs the

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schools want, and so they've had to dip into the reserve. Obviously, that can't continue. They have reduced staff. Out of eight positions, they cut two and they reduced the hours of two others. So they have tried and they're still seeing the balance decline from year to year. The last thing I really want to hit home, and this is the main reason I'm here, I firmly believe in ESUs and I think that the ESUs...we keep talking about efficiency in K-12 school systems in Nebraska. And in these areas, schools cannot offer these individually for the same amount of money that it costs us through the ESUs. In other words, if we didn't get the help from our ESU and staff development, the media, and the technology there's no way that we could offer those programs for the same amount of money in our individual schools. If each school had to try and offer those programs without their expertise and help, it's going to cost a great deal more. And the other problem you're going to run into is you're not going to be able to find...if you need somebody in your building with a technology expertise on a limited basis, who are you going to find to come to Bertrand for an hour, and Loomis an hour, and Elwood an hour and that kind of thing. So they can employ those people and we get the benefit. And I really think that's the most efficient way to operate. [LB604]

SENATOR JANSSEN: Any questions? Don't see any, thank you, Greg, for being with us. [LB604]

GREG BARNES: Thank you. [LB604]

SENATOR JANSSEN: Next opponent. [LB604]

MICHAEL CUNNING: Good afternoon, Senators. My name is Mike Cunning, C-u-n-n-i-n-g, and I am the superintendent of Sutherland and Hershey School Districts in central western Nebraska, and we're two Class C rural schools that definitely need the service units and services that they provide to us. I strongly support retaining the 1.5 cent levy. I see the levy bringing a stability to the service units for revenue. It also allows increases, possibly in services, as evaluations go up. I am worried about the state dollars coming in replacing that, even staying constant, let alone going up annually to provide us services that we need. Without the ESUs, we would not be able to offer quite a few of the specialized services and Mr. Barnes mentioned some of those. But we receive part-time services in speech therapy, school psychologists, behavioral specialists, staff development--I could go on and on and on--that we would not be able to provide, locally on our own, without the service units. So they are very important for our staff and our kids, you know, and that's what we're here for. I am an avid supporter, as I said, of the service units and our schools look to the service units to fill those gaps that I mentioned. If your ESUs are not fully funded we run the risk of private enterprise coming in and taking over the operations. If that happens, we have no control over the rising costs of mandated services, which we cannot provide on our own. Finally, at the present time, ESUs are our best hope for specialized services in the rural areas. They need the local levy dollars to provide what we as school districts ask for. I encourage

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you to continue allowing the ESUs to levy the cent and a half for general operations, so that we as schools will be able to get what we need at a cost we can afford. We need the ESUs and they need to be able to levy those dollars. Thank you. [LB604]

SENATOR JANSSEN: Thank you, Mr. Cunning. Any questions? Tom. [LB604]

SENATOR WHITE: Stability of the income flow important for delivering a predictable education? [LB604]

MICHAEL CUNNING: Yes, it is. [LB604]

SENATOR WHITE: Property tax is the best way? [LB604]

MICHAEL CUNNING: I personally feel it is, yes. [LB604]

SENATOR WHITE: Less certain on how you'll do year to year here in the Legislature? [LB604]

MICHAEL CUNNING: Correct. [LB604]

SENATOR WHITE: Will that hurt your ability to deliver services to the children that need it? [LB604]

MICHAEL CUNNING: Yes. [LB604]

SENATOR WHITE: Thank you. [LB604]

MICHAEL CUNNING: Yeah. [LB604]

SENATOR JANSSEN: Any other questions? Seeing none, okay. Next opponent. How many more opponents do we have? Okay, a couple more. Fine. [LB604]

GARY OXLEY: Senator Janssen, Chairman, and members of the Revenue Committee, my name is Gary Oxley, O-x-l-e-y, and I am superintendent of the Raymond Central Public School District just on the northern edge of the Lincoln, Lancaster line. We are one of 18 school districts that make up part of educational service unit 2 based out of Fremont, Nebraska, and as indicated, I'm here to speak somewhat against LB604 and we do realize some of the serious intent of which is proposed. However, as we look at the idea of eliminating local property taxes and replacing it with entire state core funding premises, past history has shown us that when times were somewhat tough that the revenue in those core services diminished and from that time forward, and now times are a little bit better, not where we always like them, but as times are now better it has not been restored. This has already been established. It would seem that loss of our

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local levy would cost us a loss of ESU service credit programs and would require school districts to pay for the counselors or the technology related costs or the other reductions of services in a myriad of areas that you've already heard today that we could not pick up with our tight limit that we have. I think the big thing that all schools worry about in this, all public school districts, is the fact that--with the exception of Bellevue, pardon me, I shouldn't say all--but a big concern is just the fluctuation that might occur with this. As you know, with the property tax and we've established that there's some stability to it, but when we would go to the state core services funding principles without the base aid that is now in there, and I know that you're well aware that there is a base aid that goes to every service unit, and beyond that when you get to 6,000 students or more then there is a factor of what I would call equalization aid for any number of enrollment students beyond that 6,000, which again I use the term equalization. By doing away with the local property tax we're talking about straight equalization formula almost. That is going to create just as state aid has created for the public schools of the state, a great fluctuation in what may or may not go out to the service units and in turn the districts to help fund those programs would be almost unbearable to think of. For instance, we have many districts across the state and a lot of them obviously in the rural areas, where they're hanging on by a shoestring. And I give you examples in our own activities conference, we have three districts, two of which are in dire need, and I think I can throw Raymond Central at this point right on top of that as the third school. We have one school district, Class C school, that went from over \$900,000 in state aid to this year \$400,000 and for next fall will be about \$80,000. That's pretty tough to overcome. The second district is not far from that and we seem to be sliding that same way at the tune of \$262,000 a year slide next year, which will wipe out half our cash reserve, and the following year with the loss of a very large class we will take that same slide again. Now, again, picture if the educational service units cannot respond and fill in the gaps that we now have them filling in for us, every school that is on a tight budget--and that's most every one of us--our service units have been able to step up due to their creativity and the different experts they can hire and piece out to us on a part-time basis rather than us trying to hire them full-time which could never happen. So you see that fluctuation of our service unit dollars to provide these programs coupled with our schools would create great havoc out there. And I suggest that's not what we want to see happen in our state for our students, because they're the ones that are the losers in this when it's all said and done. Coupled with that, if you stop and think about the inflation we've experienced the last few years and we think about transportation costs, the price of oil and gas, but that has triggered other things. That has gone far beyond any 2.5 or 3.5 percent lid that we enjoy as a spending lid from year to year. And our service units, again have helped us be very creative where we've divvied out and taken a little less of something to get by, but none of us are immune to what has happened in our school district. We have four students this year in a wheelchair with AIDS. That's very unusual for a school district of about 700 students, but those years come up. And again, our service units and the other agencies we rely on to step up and help us. And so again, that fluctuation, I can't emphasize it enough, I think is a very scary concept to

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put as a blanket on our state. So I'll stop there. I think I'm repeating myself. [LB604]

SENATOR JANSSEN: Any questions? Gary, I have one. Your decline in state aid, was that due to loss of students or increase in valuation? [LB604]

GARY OXLEY: We mainly lost due to a decrease of 22 students, from nearly 700 students to 276 students. And that pretty well tripped the formula for us to account for that loss this year. [LB604]

SENATOR JANSSEN: What was the cause of that decline? [LB604]

GARY OXLEY: We had larger class graduate, smaller kindergarten. [LB604]

SENATOR JANSSEN: Was any specific reason for that? I mean, it was just the population isn't expanding, is that correct? [LB604]

GARY OXLEY: Well, our district is an anomaly in the state, somewhat, for a rural district in that our student population has always been between 660 and just over 700 students. [LB604]

SENATOR JANSSEN: Um-hum. [LB604]

GARY OXLEY: And in last year's class...I could be a little more specific and say that of the 22.8 students, our decline showed that we did have a number of those students who it was just movement of the families to other jobs outside the district and so now we've got the factor of the kindergarten with the larger class graduating, coming at us for the next year. But the previous year it simply was due to, I think, we had no more than three students move out of any class. So it didn't really affect our services to where we could get rid of a teacher or in the case of \$262,000 maybe get rid of many, many teachers and programs. [LB604]

SENATOR JANSSEN: Okay. Any other questions? Thank you for being with us. [LB604]

GARY OXLEY: Thank you. [LB604]

SENATOR JANSSEN: Next opponent. [LB604]

BILL VASEY: Senators, my name is Bill Vasey, V-a-s-e-y. I am a semi-retired farmer from Cozad. My grandfather homesteaded in 1877 and been in the Cozad area my whole life. I served on our local school board for 15 years and then was interested in ESU and some of the services they had and I served on that board in Kearney for 18 years. Retired in 2004. Presently, I'm chairman of the Central Platte NRD board. I went

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on the ESU 10 board with a lot of questions. Some of those from being on the local school board and wondering why they did some things. But I think in the testimony today you've heard the services that are provided and I don't need to repeat those. One of the things that I saw and observed in those 18 years I was on the board was a tremendous change in what was required of a service unit and how they adapted to meet those changes. Technology, when I went on the board 20 years ago, consisted of putting projectors and so forth in a plastic bag or a canvas bag and hauling it around to the schools. That was technology. As you know, today it's gone far beyond that. The reduction in the taxable ability of the service units took place when I was on the board there from 4 cents to 1.5 cents and, of course, the promise and the assurance was that that would be made up by core service dollars. I sat down and figured, because I'm familiar with ESU 10, in the year 2000, when they first received what they should have received in core service dollars, in 2000, they received \$1,163,847. There was a strong indication that there would be a 2.5 percent inflation increase every year. In the year 2007, they received \$981,930. And I went back through the math and if you take 2.5 percent inflation rate, they should have received \$1,418,034 or there was a shortage of \$436,000. And I know in the time I was on the board we had to make decisions that required us to make up through our, basically, our tax reserve some of these programs that the core service dollars were not providing. I'm going to use two different tax statements on two different farms that we own. The one is a 75 acre farm. The total property taxes on that farm are \$3,278. Of that, the county levy produces \$801. The Cozad School District gets \$2,032. ESU 10 gets \$29.98. The other farm is a quarter. The total taxes on it, I'm sorry, that was the quarter one and this is our home place, our 75 acres. Total tax on it, \$1,363. The county levied \$335. The Cozad School District, \$849. And ESU 10, \$12.53. I guess what I'm saying by showing you those figures is that in order to save \$25, \$29, \$12, in my particular situation, we're going to be putting service units at a situation where there's annual uncertainty and I think we've illustrated that with the uncertainty of the core service dollars. Requiring the service units to go back and pay for service expenses that are mandated in most cases, with their reserves in most cases, you're dealing with a staff that is highly trained and very difficult to replace. It's not a staff that you want to hire and fire over a lack of funding from year to year. There are a number of different methods to reduce total costs. These have been studied. One of the things that came up several years ago when I was on the board was merging several of the units, putting in efficiencies where certain units specialized, but I just would urge you not to cut off the legs of a functioning service unit that's increasing the efficiency of the schools that we have. They are requiring more and more help. This brings, I think, a little bit different perspective being not an administrator, but coming as a board member. Do you have any questions? [LB604]

SENATOR DIERKS: Thank you, Mr. Vasey. Any questions? No questions, thank you very much. [LB604]

BILL VASEY: Okay. [LB604]

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SENATOR DIERKS: Next opponent, please. [LB604]

MICHAEL OUGH: (Exhibit 4) Senator Dierks and members of the Revenue Committee, my name is Mike Ough, spelled O-u-g-h. I'm the administrator of educational service unit 2 with the office in Fremont serving Burt, Cuming, Dodge, and Saunders Counties. What is being handed out is a simple four page handout pointing out that I believe ESUs have been responsive over the years, especially the last six or seven years, to changes. We've looked, in turn, changes that school districts have needed. We've already talked about No Child Left Behind a little bit and STARS. We've talked about efforts, of statewide efforts where we try to have a statewide--we don't try, we do--have a statewide effort in terms of trainings and have teacher trainings to help in all different areas. We've looked in terms of boundaries and partnerships. We've looked at our finance. We've looked at our governance. And we've supported several of the bills before the Education Committee a couple of weeks ago that are looking at some more changes. So I think ESUs are always looking how to improve and how to change. On the second page, we list several programs that have come about. One of them I'd like to highlight is the idea of rethinking the high school. We've had conferences working with schools on those kind of ideas. We worked with the university on those. At the bottom of page two we point out some areas that we feel strongly need to be considered. One of which is retaining the cent and a half levy and the other being fully funding the core services as originally intended. On the third page, merely pointing out what has already been stated. The blue portion of the graph is the core dollars for the state for the different years. The pink or the red is when the infrastructure was added. As has been stated, that has changed over the years. It has been reduced. Originally, the law read there was a 2.5 percent increase each year. Had that followed through, the star in the upper right hand corner shows what that total number of dollars would have been, and that's just for informational data. The last page gets into some specifics that occurs at ESU 2. The blue, of course, was the core dollars dealing with staff development, instructional media, and technology training. The pink or the red deals with the infrastructure dollars. As time went on, we needed to add more staff developers because we're dealing with all kinds of assessment needs of the school districts. We're dealing with Six Traits writing. We're dealing with all kinds of standards and tech training. The technology costs have increased. The bandwidth have increased. The need for different staff has increased. What has happened at ESU 2 is the green has grown. Green is where we've taken our local levy dollars and budgeted more and more each year to help subsidize that. That is why we need the local levy dollars. Any questions? [LB604]

SENATOR DIERKS: Thank you, Mr. Ough. Questions? Senator Burling, please. [LB604]

SENATOR BURLING: Thank you, Mr. Ough. The last graph on ESU 2, does this mean

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that back when you had a 4 cent levy permit you didn't use it? [LB604]

MICHAEL OUGH: The 4 cent levy was before the graph started. [LB604]

SENATOR BURLING: Okay, well then I'll just change my question a little bit. Prior to 2000, you didn't use your levy authority? [LB604]

MICHAEL OUGH: We used our levy authority but we used it more for school, what school needs were. We didn't need to subsidize the core program. So in other words, schools requested counselors, schools requested different software packages, different teacher trainings. So what we've got there is showing how we've had to subsidize directly for staff in those areas of core services. [LB604]

SENATOR BURLING: Do you think that this graph is typical of other ESUs around the state or do you know? [LB604]

MICHAEL OUGH: In visiting with different ESU administrators, it's similar. I don't know if the numbers or percentages are similar, but I would say I'm pretty sure saying almost all or all ESUs are using levy dollars to support their core programs. Yes. [LB604]

SENATOR BURLING: Thank you. [LB604]

SENATOR DIERKS: Other questions? Senator Langemeier. [LB604]

SENATOR LANGEMEIER: Thank you, Senator Dierks, and Mike, thank you for your testimony. Going back into history, and I'm new to this--we're catching up here--when you had the 4 cents did you levy the full 4 cents? [LB604]

MICHAEL OUGH: That was my predecessor. I believe he did, yes. [LB604]

SENATOR LANGEMEIER: And so now that you've had the 1.5 you have levied it 1.5. [LB604]

MICHAEL OUGH: Yes. [LB604]

SENATOR LANGEMEIER: So you build your budget based on the total dollars you can receive, not necessarily on what you need? [LB604]

MICHAEL OUGH: Yes, we build it that way because when we make our program a service as we look in terms of what the schools want then we see how it fits together with dollars. If we need more money we talk to the superintendents in terms of, okay, how are we going to fund it? Are you willing to pay a contracted fee to the ESU for that extra service? And we see that in some situations with some of them with counselors.

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Yes, we want this counselor so we're going to pay for that. So we try to get all the receipts we can simply because our needs are greater. And then we make decisions on what we have to exclude or what the schools pay for. [LB604]

SENATOR LANGEMEIER: Okay, thank you. [LB604]

MICHAEL OUGH: Um-hum. [LB604]

SENATOR DIERKS: Other questions? Senator Burling. [LB604]

SENATOR BURLING: Thank you again. Kind of response to what Senator Langemeier said. So you list sources of finance as core services and local levy, but you didn't list here, but you mentioned contract services with the schools as another source of financing for the ESU. [LB604]

MICHAEL OUGH: In ESU 2, the core services are approximately--that's a state funding--are approximately 7 percent of ESU 2's receipts. The local levy is approximately 13 percent. The remaining 80 percent, of that remaining 80 percent, 35 percent is special ed contracts with school districts where they pay for the school psychologist, the speech pathologist and so forth. The remaining 45 percent are the different federal programs--Title I cooperatives, Title IV drug safe free school projects, and then also we have a couple of competitive history grants that we wrote for the federal government. So that's what makes up our total funding. [LB604]

SENATOR BURLING: But you do receive some funding from the schools that you serve? [LB604]

MICHAEL OUGH: Yes. [LB604]

SENATOR BURLING: In some cases. [LB604]

MICHAEL OUGH: Yes. [LB604]

SENATOR BURLING: And that would have to increase if this bill were to pass, you think? I mean, if we didn't keep up with the core services? [LB604]

MICHAEL OUGH: Yes, if this bill passed and there was no local levy and the core services didn't keep up with the need, schools would have to choose between whether having the service or paying for the service. [LB604]

SENATOR BURLING: Okay. [LB604]

SENATOR DIERKS: Okay. Senator Langemeier. [LB604]

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SENATOR LANGEMEIER: One more question. You can see why I'm not on Education Committee. In your core services, those are services provided to every school in your district? [LB604]

MICHAEL OUGH: Yes. [LB604]

SENATOR LANGEMEIER: And so if one school needs one thing extra, you're going to charge them for it. It's not going to be in the core services. [LB604]

MICHAEL OUGH: What we do is we're able to take part of our....well, let me back up. We provide all of our schools the core services which deal with the staff development, instruction materials, tech training, and also the technology infrastructure. If a school wants some other things, we take part of our levy dollars and we have a formula where depending on the school with the number of kids, how much service they're entitled to that the ESU provides them. So if they'd want a counselor or they'd want some special staff development training over and above what the core service money provides, then we provide that. Now if it's more than what their portion of credit is then they reimburse us out of their budget. [LB604]

SENATOR LANGEMEIER: So if--let me go back to the previous testifier--if Raymond Central came in and said we need an extra counselor. You're going to look at the 1.5 generated in Raymond School District that falls within your ESU and you will fund that to that level, and if it takes more than that you're going to bill them for that. [LB604]

MICHAEL OUGH: Correct. They get, out of that 1.5 cents...as I said there's a portion of money and they are entitled to a portion of that towards that service. And if it costs more than that then they make up the difference. Yes. If they want a full-time counselor and we have their portion that would fund, say, a third of a counselor's time, then we will bill them for the other two-thirds. [LB604]

SENATOR LANGEMEIER: With that in mind, would we not be at an equivalent level just to give Raymond Central their 1.5 cent mill levy and let them handle that on their own? Anything above the core services. [LB604]

MICHAEL OUGH: Well, if they had that then they may choose not to participate in other ESU services and we would...well, it gets into the situation of how you...well, if they had that and we needed to provide more for the technology then we'd end up billing them, so it would go back basically to the time before the ESUs where we just say, okay, then you just form interlocals and go from there, it seems to me. [LB604]

SENATOR LANGEMEIER: But if we're charging them above the core amount using that levy, we're giving their portion back to them plus charging, in some kind of service. If

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we're giving them service back to eat up that 1.5 cents that they're providing out of their school district and they are also then paying above that, in essence, we're giving it back to them anyway. [LB604]

MICHAEL OUGH: Well, in essence we are giving them a portion of it back, but the 1.5 cents goes to pay for part of the operation and the planning of the services, which I guess you would call the administrative part. Part of it is going to pay for some of the extra core services. So if we gave them the 1.5 cent then we would basically have to be billing them for the technology extra amount, and any extra staff development amount, and probably for belonging to a cooperative such as this because there would be some management fees with it, too. So I see where you're going, I just think it would cause some of them to say well, I won't belong at all. Therefore we wouldn't have a seamless unit with all the schools participating together. It would be fragmented. [LB604]

SENATOR LANGEMEIER: Thank you. [LB604]

SENATOR DIERKS: Other questions? Thank you, Mr. Ough. Next opponent, please. [LB604]

BRIAN HALE: Senator Dierks, members of the committee, my name is Brian Hale, B-r-i-a-n H-a-l-e. I represent the Nebraska Association of School Boards. We see this as a significant decision in terms of policy direction, taking out the local participation and paying for it in a sense. And really does, as we talked before about this being a significant move and trusting that core services is going to continue to be funded. These things initially get sold as promises. As the years go on they become targets and within a few more years they're just words. And so over time we've seen the evolution of these things start with best intentions, but there's difficulty that comes down the line in terms of sustainability and so perhaps if this Legislature decided to fully fund the core services program, this might be a program that could work initially and then we'd have to hope that Legislatures in the future also took it as seriously and saw it as importantly, so that they would, when they get to trimming the edges of budgets don't see fit to trim this core services funding. I think the result of that as you've started to uncover is additional contracting, passing the costs down, because many of these costs are necessary in terms of special ed sorts of things. You can't not provide some of these services. And so the bill gets passed down to the local level and school districts are concerned about that. There is an economy of scale. There is one server for the school districts in ESU 2, not however many districts it serves. There's a lot of ways in which the benefit of cooperation has served the education community and the taxpayers of the state. And so if we can truly say this is a promise that we're going to live by and that we're going to hold year over year this might be a viable plan. We're just not sure that past history tells us that that's going to be the future action. [LB604]

SENATOR DIERKS: Thanks, Brian. Questions for Brian? I think not, thank you very

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much. [LB604]

BRIAN HALE: Thank you. [LB604]

SENATOR DIERKS: Are there any other opponents? [LB604]

JESS WOLF: Senator Dierks, good afternoon, members of the committee. My name is Jess Wolf, J-e-s-s W-o-l-f, and I'm the president of the Nebraska State Education Association, and I'm here to speak in opposition to LB604. ESUs are political subdivisions which provide vital services to local school districts. While LB604 appears to be a property tax reduction measure, NSEA has supported some of those measures in the past, but this particular bill has no guarantees that replacement funds from the State General Fund will always be there to fund the educational service units. Without that guarantee, in tough economic times, state funds could be cut. The resulting cuts in ESU services at those times would require local school districts, which need those services, to increase their taxes to pay for those necessary services. Special education services, technology services, grant writing assistance would be assumed by the individual school districts themselves probably at higher costs. Without a permanent funding source available to the educational service units, this bill, in our estimation, is not in the best interest of the local school districts. It's not in the best interest of my members. It's not in the best interest of the students of the state. And I don't believe it's in the best interest of the taxpayers either. So the NSEA highly recommends that this bill be indefinitely postponed. Thank you. [LB604]

SENATOR DIERKS: Thank you, Jess. Questions for Mr. Wolf? You did well. [LB604]

JESS WOLF: Okay, thank you. [LB604]

SENATOR DIERKS: Now are there other opponents? Anyone in a neutral position? Senator Raikes, would you like to close? [LB604]

SENATOR RAIKES: I'm in this position often enough that I should be good at this. I would actually commend the opponent testifiers in that I think they stuck mostly to the issue. And the issue is do we want to give up the certainty and security of property tax funding in exchange for state funding? And understand the people you're talking about when you go door to door about property taxes, this is what they're talking about. They're saying we don't want to be forced to provide property taxes whether times are good or bad or indifferent. I mean, so that's the difficult situation we've got. Yes, from the service provider, certainly, you know? The reliability of a property tax is a good thing. From the people you talk to on the doorstep, it's not, and where do you draw the balance? What I'm suggesting to you, you've got to find those places in government services where you can convert to state funding and thereby use that opportunity to consolidate or make more efficient one way or another so you can eventually reduce the

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cost of providing the services. Now ESUs, and again, I'm not arguing at all that they're valuable services, but gosh, we had \$1.5 million and if we'd have gotten full funding every year we'd had \$6 million or whatever it is. The point is if you're using that money to buy computers, well, you know, it doesn't add up. You can do that more efficiently. The cost for that kind of technology becomes less. Now certainly they've got others that aren't that way. Does this mean that you're going to close down all the ESUs, that you're going to fire all the people? I don't think so at all. I think you simply would have an opportunity to organize it from a state level rather than individual levels. This is actually part of an idea long spectrum, and I think somebody, maybe Senator Langemeier or Burling mentioned well why wouldn't you give the cent and a half authority to the schools and then let the schools basically shop for the services from whatever provider they could find, and that was one of them that was on our spectrum of possibilities. And Senator White, I know why you looked confused about my suggestion of holding this in the committee. What you really were thinking about was you could advance it to General File and then we could adopt it into... [LB604]

SENATOR WHITE: Now I feel so much better, Senator, thank you. I understand the universe. (Laughter) [LB604]

SENATOR DIERKS: Thank you. Questions? I think that closed the hearing then on LB604 and we'll start out on LB605, Senator Raikes. [LB605]

SENATOR RAIKES: Thank you, Senator Dierks, members of the committee. Ron Raikes, 25, LB605. And I'm beginning to panic a little bit because I don't think I've offended everyone in the state yet and we're getting toward the end of the hearings. (Laughter) So I'm having to scramble a little bit. You'll have to apologize. [LB605]

SENATOR DIERKS: I've got confidence you'll make it. (Laughter) [LB605]

SENATOR RAIKES: Thank you. LB605 eliminates the levy authority core services and technology infrastructure funding for educational service units with fewer than two member school districts beginning in fiscal year 2010-11. The role and mission of educational service units, as you've just heard, is also outlined in Section 79-204. Among the duties listed in that section, provide for economy efficiency and cost effectiveness in the cooperative--underlined--cooperative delivery of educational services. Thus, one of the primary responsibilities of a service unit is to efficiently provide services to a group of school districts that it would be impractical, perhaps even impossible, for individual districts to provide themselves. The concept of a single district educational service unit is clearly at odds with that principal. If an ESU provides services to a single district then interdistrict cooperation, the defining quality of an ESU, is absent. From that standpoint, the concept of a single district ESU is nonsensical. It is equivalent to the notion of cooperating with yourself. It is also counter to what I believe is the purpose that ESUs were intended to serve. This bill eliminates levy authority, core

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services, and technology funding for ESUs of this nature beginning in 2010-11. Single districts' ESUs would essentially have two options in responding. One, they could include at least one other school district and retain these funding sources, or two, continue to function as a single ESU district, but do so without the sources of funding I just mentioned. It is possible for ESUs to continue without the funding sources that would be eliminated in fiscal year '04-05. Property taxes, core services, and technology funding combine to account for about 45.5 percent of total revenue for ESU 18, which is Lincoln Public Schools and 42, roughly the same percent, of revenue for ESU 19, which is Omaha Public Schools. LB605 would allow ESUs 18 and 19 to continue serving single school districts, but would require them to do so with roughly 55 percent of the funding, unless of course that revenue is replaced with other sources. In short, this bill is about access to tools that I believe were provided by the Legislature for the performance of a cooperative function. In the case of the single district ESUs, I don't believe that function is being fulfilled, hence the ability to access these tools would be eliminated. [LB605]

SENATOR DIERKS: Thank you. Questions for Senator Raikes? Senator Langemeier. I'm getting there, Chris. Just hang on. [LB605]

SENATOR LANGEMEIER: Thank you, Senator Dierks. I respond to anything. I'm with you. I'm going to ask a question even though I think I know the answer. This only affects Lincoln and Omaha, correct? [LB605]

SENATOR RAIKES: Right. [LB605]

SENATOR LANGEMEIER: It only affects those two. [LB605]

SENATOR RAIKES: Yeah, the testimony before with the 17 ESUs in the state, even though the numbers go to 19. So that tells me that we're missing a number in there someplace, but yes, 18 and 19 are the two single district ESUs. [LB605]

SENATOR LANGEMEIER: That's what I thought, but I wanted to make sure. Thanks. [LB605]

SENATOR DIERKS: Senator White. [LB605]

SENATOR WHITE: Thank you, Senator. Is this the right way to handle such reorganization or shouldn't it be taken head on? I mean, you're coming at it through the fiscal background rather than just ordering them to merge if that's what you want to accomplish right? [LB605]

SENATOR RAIKES: Oh I would never order anybody to merge. (Laughter) [LB605]

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SENATOR WHITE: Once again, the universe is a mystery to me, but thank you, Senator. [LB605]

SENATOR DIERKS: Any other questions for Senator Raikes? Okay, thank you. Proponents. Anyone in favor of LB605? (Laughter) [LB605]

SENATOR WHITE: Don't get run over, Senator. [LB605]

SENATOR LANGEMEIER: Pappas left. (Inaudible). (Laugh) Pappas left. Oh, no, he's here. [LB605]

JIM PAPPAS: How could I (inaudible)? (Inaudible). [LB605]

SENATOR WHITE: Is your father going to come in (inaudible)? (Laughter) [LB605]

JIM PAPPAS: Mr. Chairman and committee members, my name is Jim Pappas, P-a-p-p-a-s, representing Bellevue School District and would rather testify in a neutral position, but somebody's got to help the Senator out. The thing he did point out, the main focus of ESUs when they were formed years ago was the cooperative ventures to provide services that weren't provided by school districts. And things have changed over the years. And case in point, if you look at the Omaha metro area--and there's a few senators in the Omaha metro area--and I mentioned in an earlier statement, earlier bill, you'd look at demographics, the minority makeup, the economic makeup, the valuation makeup of the Omaha metro area and right away the first thing that pops out that Ralston, OPS, and Bellevue probably would fit together better than Westside, Elkhorn, Millard, or Papillion. And you just look at that and you think why do we have a separate ESU here than these other two schools are more in tune by just their physical presence, their makeup, their minority makeup and everything else with OPS. Why are they all in different, you know, ESUs? And they can provide all the same services. I think Senator Raikes, some of his talks, he alluded to that maybe, you know, ESUs need to be looked at. Maybe they need to be restructured a little bit. I represent a school district that does not take any services from the ESU they belong to, but the taxpayers of that district pay into that ESU, but will receive nothing back except for a tech service guy from the core services. And you know, we talked about saving property tax, we talk about what's better for the education, better for services. Maybe it is the time for this committee to work with Senator Raikes and some people on the Education Committee to make some changes for the betterment of the student and also betterment of the taxpayer. [LB605]

SENATOR DIERKS: Questions for Jim? Senator White. [LB605]

SENATOR WHITE: Why do you leave all those services you've paid for unused? [LB605]

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JIM PAPPAS: They don't need them, because they do them in-house. Once the school district gets bigger they provide most of them in-house. You talk to any large metropolitan school district over a cup of coffee, not in the public eye, and they'll say most of the services they can provide themselves they already do. [LB605]

SENATOR WHITE: But then why grow in that direction? I mean, if they're being served and provided to you why don't you grow in other directions, provide different services? [LB605]

JIM PAPPAS: Bellevue Public Schools provides all the services that are needed to fully function as a school district and this... [LB605]

SENATOR WHITE: I understand that, but why duplicate the ones that will be provided by the ESU? You certainly have a choice in what you add. [LB605]

JIM PAPPAS: Because we can do them cheaper in-house and more efficiently in-house with our in-house people. [LB605]

SENATOR WHITE: Even though they're being paid for and subsidized through property tax levies. [LB605]

JIM PAPPAS: And their services are providing other school districts with other needs. We don't need them. [LB605]

SENATOR WHITE: Thank you. [LB605]

JIM PAPPAS: You know, that's why we'd like get out. Kind of like let my people go. [LB605]

SENATOR WHITE: Can we keep the tax base? [LB605]

JIM PAPPAS: It's kind of like LB57, you know. We want to be kind of part of it, but not have to pay all the stuff. [LB605]

SENATOR DIERKS: Other questions? Senator Cornett. [LB605]

SENATOR CORNETT: Jim, isn't it correct that Bellevue, if they were able to opt out of the ESU does not want to collect the 1.5 cent tax any longer? [LB605]

JIM PAPPAS: No, they do not. They would forgive the 1.5 mill levy. [LB605]

SENATOR CORNETT: So we're talking about property tax relief. [LB605]

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JIM PAPPAS: Yeah. To just the people that live in the Bellevue Public School District. [LB605]

SENATOR CORNETT: Right. [LB605]

JIM PAPPAS: Not all the people living within the city limits of Bellevue. That's another issue. [LB605]

SENATOR CORNETT: No. Well, that's completely different. [LB605]

SENATOR DIERKS: Senator Langemeier. [LB605]

SENATOR LANGEMEIER: Thank you, Chairman Dierks. If you're giving 1.5 percent to ESU 3 and not taking the services you could, how can they be cheaper to do them in-house when you're wasting that money there that their spending on that other stuff? [LB605]

JIM PAPPAS: Because what's offered and what's available and what you develop in-house as you grow, it's just like, you know, we can do it easier, better, ourselves than try to contract and get a service through the ESU 3. [LB605]

SENATOR LANGEMEIER: So it's more convenient. [LB605]

JIM PAPPAS: Convenience, yes. [LB605]

SENATOR LANGEMEIER: Okay, thank you. [LB605]

SENATOR DIERKS: Senator Cornett. [LB605]

SENATOR CORNETT: One of the prime examples of this, isn't it like the computer and the internet services that Bellevue School District can provide better computer services than what is offered by the ESU? The ESU cannot provide the technology needed to help a school district the size... [LB605]

JIM PAPPAS: That's what I've heard, yeah. I can't expound on that, because that's above my knowledge base on that issue. [LB605]

SENATOR CORNETT: Thank you. [LB605]

SENATOR DIERKS: Senator Pappas, if the service unit doesn't use the funding, why doesn't Bellevue schools withdraw from the service unit? [LB605]

JIM PAPPAS: If they withdraw, the 1.5 cent doesn't automatically go with them. They

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tried to transfer, move into District 19 OPS two years ago, Senator. And they went through the procedures that's required by law. The Department of Education on their review denied them the request to transfer to ESU 19, because they fit more, within their needs and services, would fit more closely together with OPS than with ESU 3. So now basically what they want to do because they do not need the services, they would like to just withdraw period and give up the cent and a half mill levy to save the taxpayers the money, because they don't utilize the services. But under the present law if they withdraw that doesn't automatically eliminate the penny and a half does not go away, it still goes to ESU 3. [LB605]

SENATOR DIERKS: Well, if they withdrew there wouldn't be any need for ESU 3 would there? [LB605]

JIM PAPPAS: Well, yeah, there's a lot of other school districts in ESU 3. [LB605]

SENATOR DIERKS: Oh, I thought you said there was just one. [LB605]

JIM PAPPAS: No, no, no. That's 18 and 19. [LB605]

SENATOR DIERKS: Oh, that's Lincoln and Omaha. I'm sorry. Okay. [LB605]

JIM PAPPAS: Yeah. [LB605]

SENATOR DIERKS: Okay. [LB605]

JIM PAPPAS: And there are smaller school districts within ESU 3 that require services provided by ESU 3, but most of the larger school districts do not require those services and take very few of them. Like I said, most of them you talk to probably over a cup of coffee would admit it. [LB605]

SENATOR DIERKS: I remember when the service units were first formed I was on the school board in Ewing. We had the choice of joining a service unit or not and a number of schools didn't for quite a while, but eventually I think most of them did, but I didn't think it was a requirement. I mean, I thought it was something you just did because you thought you'd gain... [LB605]

JIM PAPPAS: They could drop out, but the base does not go away. [LB605]

SENATOR DIERKS: Yeah. Okay, thank you. Senator White. [LB605]

SENATOR WHITE: Curiosity. Why couldn't you join the Omaha ESU? [LB605]

JIM PAPPAS: When you go through a different process, the final decision is made by

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the Department of Education and they denied us going into there. They didn't want to reform or restructure any ESUs apparently at the time. I don't have a copy of the formal...and I can get it for you if you'd like, Senator. [LB605]

SENATOR WHITE: No, just curious. Thank you. [LB605]

SENATOR DIERKS: Any other questions? Thank you, Jim. Further proponents? [LB605]

JIM PAPPAS: Boy, it's tough being on your side, Raikes. (Laughter) [LB605]

SENATOR DIERKS: Any other proponents? Are there opponents? Opponents? [LB605]

SENATOR RAIKES: Don't act so shocked (inaudible). (Laughter) [LB605]

SENATOR DIERKS: I just thought I wasn't speaking loud enough, Senator. (Laughter) [LB605]

JOHN LINDSAY: Senator Dierks, members of the committee. Senator Dierks, thank you for speaking up. I almost missed that. [LB605]

SENATOR DIERKS: You're welcome. [LB605]

JOHN LINDSAY: My name is John Lindsay, L-i-n-d-s-a-y, appearing on behalf of Omaha Public Schools. As you heard in prior testimony, OPS is the sole member of ESU 19. Lincoln is the sole member of ESU 18. This bill would apply to those two districts. ESU 19 is, as Senator Raikes I think mentioned, is operated, in effect, by the Omaha Public School board. And there's some question, certainly philosophically, Senator Raikes is correct that you can't cooperate with yourself. That's maybe ironic or something to say that about the district I represent, but that's not...the problem we run into is that if this bill were to pass in its current form, then the net effect would be, as Senator Raikes mentioned, either requiring a merger with another district or foregoing the dollars. If the dollars are foregone, then what you have is two districts that are being treated differently than every other district in the state. And the dollars that are received by ESU 19, the net effect would be to penalize OPS for being unique, being a larger district. That gets to the second option would be to merge with ESU 3, which is, in the Omaha area, ESU 3 pretty much surrounds OPS. So it would be the, at least geographically, would be the natural. I would comment that I think Mr. Pappas was correct when he referred to if you look at the demographic makeup of students and maybe the services that may be required and reorganized around those types of things, then yeah, it makes a lot more sense that a Bellevue and a Ralston might be put together as opposed to other districts, maybe they have different needs. Example is that if we were to be part of ESU 3, you would have a district with 47,000 kids and 7,500

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employees in the same ESU with Weeping Water and Conestoga, which are smaller rural districts. The needs of those two are not even close on what the different services that would be required by those districts. Give an example, one of the funding or part of the funding, a good piece of the funding that ESU 19 does is in our technology area. ESU 19 is, I don't know if you call it the owner or licensee or whatever, of software called PeopleSoft which is a well recognized human resources software. And we use SASI, which is a student tracking system, which are designed I think for larger operations. We use that. We are under multiyear contracts on the licensing of those software packages. If we were merged what would be the incentive for those in ESU 3 to say yeah, we want OPS in ESU 3 and come on and bring that huge software thing that you've got that's not going to do us any good, but we'll go ahead and take over the responsibility for it just adding your dollars. And it doesn't quite work that way, because the funding does not nearly cover what our technology is. Our ESU 19 is funded, I think, to the extent of about \$4 million approximately from state funding and property tax. And I think roughly in the \$14 million from agreements with OPS. So the dollars are not going to line up well. And it's similar kind of things with the other core services we primarily use for teacher development, for library services are generally what we use. The ironic thing is, again, as Mr. Pappas mentioned, that had the board approved the application of Bellevue Public Schools to move from ESU 3 to ESU 19, we wouldn't be here because we would no longer be in a ESU that would have fewer than two school districts. So simply by the operation of the decision that has changed whether this bill impacts us, again I think something that is unfair to Omaha Public Schools. I think, as Senator Raikes mentioned at the outset, Senator Raikes has several bills over in the Education Committee dealing with the reorganization of educational service units simply by operation of the way the referencing and the Legislature works, Revenue Committee has this bill because it deals with financing. We would suggest that if the reorganization of ESUs is to take place that it's properly a function of the Education Committee. Now it should be, Senator White, including the funding of ESUs within that approach to reorganization that probably stating that without stating an OPS position on reorganization, but that's the proper forum, I believe. I'd be happy to answer any questions, Senator Dierks. [LB605]

SENATOR DIERKS: Thank you, John. Any questions for Senator Lindsay? Senator White. [LB605]

SENATOR WHITE: Where was OPS on Bellevue's application to leave ESU 3 and join 19? [LB605]

JOHN LINDSAY: We're supportive. [LB605]

SENATOR WHITE: And the Department of Education, do you know why they just decided to say no? [LB605]

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JOHN LINDSAY: Honestly, I don't know. [LB605]

SENATOR WHITE: As a willing marriage between like-minded school districts, and they just said nope. [LB605]

JOHN LINDSAY: Like Mr. Pappas, I don't know. I'm not sure, but I'd be happy to get a copy of the order for you. [LB605]

SENATOR WHITE: Thank you. [LB605]

SENATOR DIERKS: Other questions? Thank you, Senator Lindsay. Come again. Other opponents? [LB605]

SENATOR LANGEMEIER: Didn't apologize this time. [LB605]

JESS WOLF: I sort of nodded. [LB605]

SENATOR WHITE: Yeah, you know like backing up to run over him again. [LB605]

JESS WOLF: Thank you, Senator Dierks, again, and members of the committee. My name is Jess Wolf, J-e-s-s W-o-l-f, president of the Nebraska State Education Association, speaking here in opposition to LB605. Basically, NSEA believes that all the educational service units provide an important function to the local school districts across the state. And just because they may not provide all the same services doesn't mean that they aren't important services that they provide. The service units called into question in this particular legislation provide assessment assistance, staff development assistance, and technology assistance, and some other things that have already been outlined. We believe at NSEA that these are vital services that need to be maintained. And so LB605 places those services in jeopardy and we therefore oppose the bill for that reason. Thank you. [LB605]

SENATOR DIERKS: Thank you, Jess. Questions? I think you got off scot-free again. [LB605]

JESS WOLF: Okay, thanks. [LB605]

SENATOR DIERKS: Thank you. Other opponents? Anyone else in opposition? Is there neutral testimony? [LB605]

VIRGIL HORNE: Senator Dierks, members of the committee, my name is Virgil Horne, V-i-r-g-i-l H-o-r-n-e. Somebody told me you really aren't paranoid if the people are really out to get you and so I feel a little better about some of my phobias, because basically we're here in a neutral capacity because while this bill addresses doing away with single

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school district ESUs, it does not address other statutes that we would like to see addressed. As an example, in 79-1202, there's a reference School District 55001 of Lancaster County, which is the Lincoln Public Schools, shall remain educational service unit 18. There are other issues along the same kind of lines. So what we are asking is that the committee allow us a little time to work with Senator Raikes' office in order to address some of these issues. One of the very large concerns that we have deals with if there are two districts within the Lincoln Public Schools, do these have to be contiguous districts or can this be a district from somewhere else? We've been made aware through the grapevine that there are other school districts that are not contiguous to the Lincoln Public Schools that would like to join our ESU and how is that going to be resolved. We are also very concerned about the management of the ESU once the new ESU is formed with 32,000 or 33,000 students, how they would be represented on the board of the ESU. This bill has a starting date of 2010-11. And why we're asking that these issues be clarified now is because if we are going to work with other school districts to form a new ESU 18 or whatever it's going to be called, we'd like to know all the details before we start that process rather than saying, well, if the Legislature does this than this will happen. If they don't do that than this will happen. So we'd just like to have everything up front, taken care of. As I said, it's not until 2010-2011, but it's not a quick process either. You do need to apply to the State Board of Education. You need to respond in that fashion. So all we're asking is that we have a little time to work with Senator Raikes' office. And I'm not talking about a delay until next session. I mean this session, but just a matter of getting some of this stuff clarified so that we can approach it with all the knowledge we need to do what is requested in the bill. Thank you. [LB605]

SENATOR DIERKS: Thank you, Virgil. Senator Cornett, please. [LB605]

SENATOR CORNETT: When you are talking about other school districts wanting to join your ESU with a new formed ESU... [LB605]

VIRGIL HORNE: That's the rumor, yes. [LB605]

SENATOR CORNETT: ...that would mean they would have to withdraw from the ESU they're in currently, correct? Unless you're talking about a whole ESU joining with you. [LB605]

VIRGIL HORNE: No, well, given some of the other legislation that's currently before the Legislature, there would be some ESUs that would be disbanded and those school districts would be requested to find other ESUs. And if that were the case... [LB605]

SENATOR CORNETT: But it would still have to go before the State Board of Education, correct? [LB605]

VIRGIL HORNE: You know, I'm assuming that would be the case based on current

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statute. I don't know how the bill is written. [LB605]

SENATOR CORNETT: Or what's going to happen with other statutes this year. [LB605]

VIRGIL HORNE: Pardon? [LB605]

SENATOR CORNETT: Or what will happen with other bills this year. [LB605]

VIRGIL HORNE: Yes, yes. Correct. [LB605]

SENATOR CORNETT: Okay, thank you. [LB605]

SENATOR DIERKS: Other questions? Senator White. [LB605]

SENATOR WHITE: Would Lincoln support this legislation if it finds out the Department of Education says we're not going to let you merge with anybody and you remain solo? [LB605]

VIRGIL HORNE: No, we can't afford that. [LB605]

SENATOR WHITE: So you don't like this legislation now given the uncertainties of what may or may not happen, not the least of which is not in the control of the Legislature. It's what the administrators in education will do, correct? [LB605]

VIRGIL HORNE: Well, I have been involved with this for 16 years. To my knowledge, in that period of time, with the exception of Bellevue, there was a time probably 14 or 15 years ago where there was some discussion about school districts being all in an ESU. But other than that, I don't know that there's ever been really any attempt to change the organization of ESUs. And there's people who have much better knowledge about that than I do. But as an example with the situation that's been mentioned previously, any school district that would have tried to go into the ESU 19 by statute would not have any say in the organization of the ESU once they joined it because statute says that the board of--if I read it right--educational service unit 19 shall be governed by the school board of the school district 28-001 of Douglas County, which is the Omaha Public Schools. So the Omaha School Board could have said, yeah, you can join our ESU, but you have absolutely no say in the organization of that school board because by statute we are in charge of it. [LB605]

SENATOR WHITE: My question is, though, you're looking at a bill that unless you get what you want, they fall the way they are, and if this bill came out of committee, you could end up nailed. You don't know you're going to get approval from the Department of Education. You don't know what other school people are going to do. We're looking at a bill that we have to look solo at. [LB605]

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VIRGIL HORNE: That's true. [LB605]

SENATOR WHITE: Okay, so given that, are you really neutral? Or do you think you'd sleep easier if this bill slept with the fishes? [LB605]

VIRGIL HORNE: We'll follow the money. It's about the only way I can say it. [LB605]

SENATOR WHITE: Always a good philosophy. (Laughter) [LB605]

SENATOR DIERKS: Thank you. Other questions? I think that's it. Thanks, Virgil. [LB605]

VIRGIL HORNE: Thank you. [LB605]

SENATOR DIERKS: Other neutral testimony? [LB605]

BRIAN HALE: Senator Dierks, members of the committee, Brian Hale from the Nebraska Association of School Boards. Stole most of my thunder where Virgil was at. A lot of our concerns are on those governance issues. The statute says one thing and this implies that something quite different might be needing to happen. And the terms by which that happened are really...I mean, the idea is there's a concept here but there's a whole lot of details that are unresolved here, and so there's great concern about how that happens. If noncontiguous districts can join together, what kind of can of worms does that open across the state as people go shopping for services and such. So without delaying this any further, that is the essence of our testimony. [LB605]

SENATOR DIERKS: Thank you, Brian. Any questions? Nope. Thank you very much. Other neutral testimony? Other neutral testimony? (Laughter) Would you like to close, Senator Raikes? [LB605]

SENATOR RAIKES: Thank you, Senator Dierks. Senator White, I think what Virgil Horne read in statute was the key factor in the state board's rejection of the Bellevue application to OPS. They felt that because the statute didn't allow Bellevue to have voting representation in the new ESU, that they couldn't authorize that union. Generally speaking, and I think that statute is an example of that, it isn't as though the Legislature delegates to a board such as the state board, well, gosh, do whatever you think on this issue. It is, you know, as long as the requirements are met this will happen. This will be the case. And their point was that there was enough confusion caused by the governance in this proposed ESU that they could not go forward with it unless there was a statutory change to provide for it. And I think, in fact, Virgil correctly pointed out that there's, for this bill, there are some other cleanup or changes in statute that would need to be accomplished before you could go ahead and do this. [LB605]

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SENATOR DIERKS: Thank you. Would you like to open now on LB640? [LB605]

SENATOR RAIKES: I would, Senator. [LB605]

SENATOR DIERKS: Hearing is closed on LB605. Senator Raikes on LB640. [LB640]

SENATOR RAIKES: Thank you. Senator Dierks, members of the Revenue Committee, Ron Raikes, District 25, LB640. LB640 provides learning communities with the authority to levy a maximum of 5 cents per \$100 of valuation for capital projects approved by the learning community for the purchase, remodel, or construction of a facility of, one, a focus school or program, or two, a school or program that will attract a more economically or culturally diverse student population than would otherwise be served by a program or school in that location. The proceeds of the levy would be used to provide a one time reduction in the bonded indebtedness needed to finance such projects, not to exceed 50 percent of the cost. A district for which a project is approved by the learning community would have funds transferred into its building fund for use in paying for the project. If a district, within 10 years of the transfer of capital construction funds, uses the facility purchased, remodeled, or constructed with such funds for purposes other than those for which the funds were approved, the district must repay the learning community the funds received for the project, with interest. However, the learning community may forego such repayment if the facility is used for another focus school or program, or a school or program that will attract a more economically or culturally diverse student population than would otherwise be served by a school or program in that location. Last session, the Legislature passed LB1024, which as most of you know, united the 11 school districts in Douglas and Sarpy County under the common umbrella of a learning community. The development of focus schools served a couple of important roles in that legislation. First, focus schools--which I should note are programs that specialize in certain curriculum or subject area--are important to the educational opportunities available to students. By creating these programs, students throughout a learning community have at their disposal a wide array of different educational offerings suited to their individual interests. That leads into the other important function of a focus school and learning community plan, that being that they are an important driver for student integration. If you remember integration in the learning community was achieved on a voluntary basis, thus to make that integration happen it is necessary to provide students with both a means and a motive to attend programs outside of their home attendance area. An important piece of that is the lure offered by specialized programs. The purpose of this bill is to assure that school districts have ample ability to provide focus schools given their importance to the learning community concept. In many cases, districts simply don't have the facilities in which to offer these programs. This bill would create a funding source for the construction of facilities which could only be used for focus schools or programs that achieve diversity in the student body. These funds take on added importance when Nebraska school facilities are funded entirely at

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the local level. Hence, if we want to ensure that learning communities have the means to provide programs that are critical to the enhanced educational opportunities and integration, we have to be sure that they have funding for the facilities in which to house those programs. This bill offers a means to do that. [LB640]

SENATOR DIERKS: Thank you. Questions for Senator Raikes? Senator Burling. [LB640]

SENATOR BURLING: Thank you, Senator Raikes. Does this mean then that that learning community wouldn't have to go through the process of a bond issue election? [LB640]

SENATOR RAIKES: They would. This would create a two-step process for certain of the school buildings in the learning community. Those buildings that are approved by the learning community council as serving interdistrict student populations. In other words, they're, in fact, restricted to serving students from the entire...in the learning community case in Omaha metro area. The process is if this is approved by the learning community council then the learning community would levy learning community-wide enough to get half of the funding required for the project as approved. The other half of the funding would be bonded by the school district in which the building would be located. [LB640]

SENATOR DIERKS: Senator White. [LB640]

SENATOR WHITE: Do you have a specific school district or districts in mind for this particular act? [LB640]

SENATOR RAIKES: Well, you know, I would say generally the 11 in the metro area. And anyone of them could participate. My concern, Senator, if I can go beyond answering your question is if you're truly interested in enhanced educational opportunities and diversity of the student body, you need to be able to address the question of okay, I'm in one district and you're in the other district next door. Okay, I'm going to educate your students. Well, now how is this going to work? Am I going to have to pay for educating your students? Well, certainly you can argue that if we're both equalized, the operating part of it might be handled by the school finance formula. Or in the case of a learning community, by a common levy. The next question comes to maintaining the buildings. Well, there is a common building maintenance levy in the LB1024 legislation. What there is not there is something that, well, okay, if I'm going to educate your students, are you going to help pay for the building in which we're going to educate them? And that's the purpose here. [LB640]

SENATOR WHITE: But aren't we currently seeing increased racial stratification in cities like Kearney, Norfolk, Sioux City? Wouldn't this also help those because they, especially

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if the Class I's come back, integrate areas around such cities? [LB640]

SENATOR RAIKES: Well, the learning community legislation is statewide legislation. It's not required of Kearney, but is available to Kearney. [LB640]

SENATOR WHITE: The point is this may apply to more than just the metro area. [LB640]

SENATOR RAIKES: Yes, yes. [LB640]

SENATOR WHITE: Especially if you're looking at situations where we're not getting diversification. We are getting high concentrations of Hispanic or other minorities. [LB640]

SENATOR RAIKES: Absolutely. [LB640]

SENATOR WHITE: Okay. Thank you. [LB640]

SENATOR DIERKS: Other questions for Senator Raikes? Don't think so, thanks, Ron. Proponents of LB640? [LB640]

JESS WOLF: Thank you, Senator Dierks and members of the committee. I am still Jess Wolf and I think I'm still president of the NSEA, and I'm here to support LB640. NSEA has long had a position that one of the problems that local school districts have is their construction budgets. And because of what Senator Raikes just talked about in terms of the learning community actually being a statewide possibility, that this in fact could imply to other places across the state, not just the metropolitan area. Because it in fact, places responsibility on a larger group of folks to help fund the construction to those facilities or remodeling of those facilities, it falls in line with our long-standing resolutions and we support it. Thank you. [LB640]

SENATOR DIERKS: Thank you, Jess. Questions? No questions. [LB640]

JESS WOLF: Okay, thank you. [LB640]

SENATOR DIERKS: Other proponents? Other proponents? Anyone in opposition? Opponents? Anyone neutral? People don't have much to say about this bill, Ron. [LB640]

SENATOR RAIKES: It's all proponents. That's the issue. (Laughter) [LB640]

SENATOR DIERKS: Yeah. Would you like to close? [LB640]

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SENATOR RAIKES: No. [LB640]

SENATOR DIERKS: Well, that concludes...(end of tape). [LB640]

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Disposition of Bills:

LB170 - Indefinitely postponed.
LB604 - Indefinitely postponed.
LB605 - Held in committee.
LB640 - Indefinitely postponed.

Chairperson

Committee Clerk