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Education Committee
February 09, 2009

[LB215 LB221 LB545 LB578]

The Committee on Education met at 1:30 p.m. on Monday, February 9, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB221, LB215, LB578, and LB545. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Brad Ashford; Abbie Cornett; Robert Giese; Ken Haar; and Kate Sullivan. Senators absent: Bill Avery. []

SENATOR ADAMS: As the hearing begins, I'd like to, first of all, welcome everyone who is here. Ask that you turn your cell phones off or silence them so that they're not a problem during the hearing. I want to make sure that everyone in the audience and the senators can hear all of the testimony. As we go through the day today, be sure that if you want to give testimony, that you come forward. Be sure that you fill out the sheet and hand it to the clerk over here to announce your testimony. And be sure that you state your name and spell it clearly for the record as we proceed. To begin with, let me make some introductions. The clerk that will be collecting those forms from you is Becki Collins. And then Senator Ashford is on his way, as usual. And next to him will be Senator Bob Giese from South Sioux City. Senator Abbie Cornett will be here very soon representing the Bellevue district. Tammy Barry, legal counsel for the Education Committee. I'm Greg Adams from York. Senator Gwen Howard, the Vice Chair of the committee will be here very shortly. Senator Kate Sullivan from Cedar Rapids. Senator Bill Avery is not here, but will soon be, I understand. Senator Ken Haar from Malcolm, District 21; and Kris Valentin, our research analyst, will be here a little bit later. Our two pages today are Sarah McCallister and Brennen Miller. As you come forward, if you have handouts, I would ask that you would provide those to the pages, and they'll make sure that all the committee has a copy of those. All right. So with that, we will begin our hearings with LB221. Senator Nordquist, you're up. [LB221]

SENATOR NORDQUIST: Thank you, Mr. Chairman, members of the committee. My name is Jeremy Nordquist, and I represent District 7 in Omaha. LB221 would allow a Class V school district to make payment of claims by checks drawn on bank depository accounts as well as by warrants. As you know, a warrant is an instrument used to pay a claim upon the authorization by the drawer. This is in contrast to a check which is payable on demand. A Class V school district's warrant circulates in banking circles like a check, but requires an extra step for verifying the legitimacy of an item prior to payment. By permitting a Class V school district to use a check as well as warrants, the school district's payment of claims process could be put on the same basis as that of any commercial enterprise. The school board would have the flexibility to choose which payment option to use. Richard Pederson, an attorney who is very familiar with the inner workings and details of Omaha's school finances, will be testifying after me, and I'm sure he can answer any technical questions you may have. I would appreciate your full consideration of LB221. [LB221]

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SENATOR ADAMS: Thank you, Senator Nordquist. Committee members, are there questions of the senator? Well, seeing none right now, I assume you'll stay for closing? [LB221]

SENATOR NORDQUIST: I sure will. [LB221]

SENATOR ADAMS: All right. Will the first testifier as a proponent come forward? [LB221]

RICHARD PEDERSON: Senator Adams, members of the committee, my name is Richard Pederson. I am an attorney from Omaha, Nebraska, with the Baird Holm law firm. Our firm represents the Omaha Public Schools. LB221 basically was generated from an interview that we had with our bank, and it relates to their unease with the warrant method of payment as a modern method for payment of claims. The current statute requires that warrants only be used for making payments, and this statute would authorize us to get into negotiations with our bank, agree to an arrangement for a checking account where checks would be used to pay claims just like you and I pay claims. The difference between a warrant and a check is a warrant is an order to the treasurer of the political subdivision to make payment. Those warrants get registered, or not registered, but listed and then they basically pass through banking channels just like a check, but you add an extra day or more in the claim payment process as against checks. The checks come into the school district from the bank and are then compared to our list. It's a very different process from the one that you and I experience with our checking accounts where you get the statement with all the checks, or copies of checks as we're getting these days, and then you can compare them with your own check register. That would be the system that would apply if we were to reach an agreement with our bank to use checks as the payment system, and it would eliminate a day or a day and a half of processing. That day or day and a half of processing can be crucial to the bank in terms of its meeting the various deadlines that are now imposed under Regulation CC and under the Uniform Commercial Code. Any questions? [LB221]

SENATOR ADAMS: Are there questions? Senator Haar. [LB221]

SENATOR HAAR: Yes, thank you. This is education for me. What is a Class V school district? [LB221]

RICHARD PEDERSON: A Class V school district, there is currently only one in existence and that's Omaha Public Schools, District 0001 of Douglas County. [LB221]

SENATOR HAAR: Okay. And then the other classes? [LB221]

RICHARD PEDERSON: Class III would be almost any class of school district in the state except for the Lincoln Public Schools which are Class IV. There are Class IIs

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which I think have populations of under 1,000, slightly smaller. And as we all know, Class I's don't exist. [LB221]

SENATOR HAAR: Do they all have to go through this warrant process? [LB221]

RICHARD PEDERSON: We have not looked at that with respect to Class III school districts. I suspect that they do. The statutes are very old. They date from 1930, the twentieth century, and from, you know, a long time ago when our tax revenues came in, in two big lumps, and we maybe needed a system for prioritizing claims where the money just wasn't there on the day that the check came in to clear. [LB221]

SENATOR HAAR: Well, I'm just wondering whether this should apply to all school districts. I have no thought... [LB221]

RICHARD PEDERSON: And we would certainly have no objection to that modification if it were deemed appropriate. [LB221]

SENATOR HAAR: Okay, so I'm sure we can talk about that in committee then. Thank you. [LB221]

RICHARD PEDERSON: Again, we'd, you know, representing the school district, we're not trying to solve any problems other than the ones that we have. [LB221]

SENATOR ADAMS: Are there other questions? Senator Howard. [LB221]

SENATOR HOWARD: Thank you, Mr. Chairman. This may have already been asked and answered, and I apologize for coming in late. I got detained. But are these warrants handled electronically? [LB221]

RICHARD PEDERSON: Well, everything is pretty much handled electronically now. Under Check 21, they may be being handled electronically, but it may technically be improper, because under Regulation CC our school district warrants aren't a check as defined. And that's a little bit of what has the bank concerned. The checks of the Village of Goehner, for example, would qualify as checks or their warrants would qualify as checks, but ours do not just because of a quirk in the drafting of that regulation. We are obviously much bigger than a small village, but the way the regulation is drafted, it excludes from the all-encompassing definition of what checks are in the federal regulations, special purpose districts like school districts. [LB221]

SENATOR HOWARD: Okay, so if this was issued in a check form, then that would be handled electronically and that would be speedier? [LB221]

RICHARD PEDERSON: No. The checks are already...our warrants are already...they

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have the micro number on it and they're handled that way. It's when it comes back to the bank, through banking channels, all of which can be electronic, that the extra process of a day, a day and a half, gets added to the process. And the banks, both under the Check 21 regulations which are Regulation CC and under the Uniform Commercial Code, are required to meet very tight deadlines with respect to honoring or dishonoring payment items. [LB221]

SENATOR HOWARD: Thank you. [LB221]

SENATOR ADAMS: Senator Sullivan. [LB221]

SENATOR SULLIVAN: Thank you, Senator. Is the way I understand it right now that the bill would allow you to make payment of claims by checks and continue to pay by warrant as well? [LB221]

RICHARD PEDERSON: Well, if we decide after negotiating with our bank that our present system is better, we're going to stick with it. But I mean, right now, we don't even have any ability to negotiate with them as to what the new system would look like. It probably wouldn't look any different from the system of payment of claims that every ordinary business in the state of Nebraska uses, but we've at least reserved the right to stick with the fusty old ways if they turn out to be better for us. And that should be the case for school districts if you decide to expand the scope of the bill. [LB221]

SENATOR SULLIVAN: Okay. Thank you. [LB221]

SENATOR ADAMS: Other questions? One question that I would have then, and clarify for me. You say that there really wouldn't be any difference. What about the signatures on the check? [LB221]

RICHARD PEDERSON: Oh, you know, currently we would probably be using...I mean, we're authorized, I think, under current law to use facsimile signatures on our warrants, and on the checks we would probably adopt a dual signature item or a dual signature process so that there would be two signatures on all payment checks. Dennis...my boss says yes. How's that? [LB221]

SENATOR ADAMS: Okay. Are there are other questions for this testifier? Thank you, sir. Next proponent. Are there other proponents to this bill? Hearing none, then are there opponents to this bill? For the record, is there anyone who wants to come forward and testify in opposition? Is there neutral testimony? If not, Senator Nordquist, you can close. All right. Let the record show the senator waives closing. That will end the hearing on LB221. And we will go on to LB215. And we need Senator Fischer, don't we? Okay, the senator is on her way so we will stand at ease for a moment. [LB221]

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SENATOR FISCHER: Thank you very much. Good afternoon, Senator Adams and members of the Education Committee. For the record, my name is Deb Fischer, F-i-s-c-h-e-r, and I am the senator representing the 43rd District here in the Nebraska Unicameral. I appear before you today to introduce LB215. The state aid to schools formula has grown increasingly complicated over the years. It's difficult to understand, even for a person who has had experience with it. The School Finance Review Committee creates a body whose purpose is to understand the state aid to schools formula, gain expertise, and make recommendations to the state to improve the formula. I was a member of the School Finance Review Committee representing Class VI school districts for two terms from 1994 to 2000. The previous committee was composed of a member representing each class of school district, a member from the Property Tax Administrator's Office, a member representing the Commissioner of Education, a member representing the Legislature, a member at large, and a school finance expert. The previous Finance Review Committee was eliminated during the second special session of 2002 as a budget cutting measure. LB215 would recreate the committee. The committee would be composed of 11 members including one member of the general public from each of the eight State Board of Education election districts, appointed by the Governor; one member of the Legislature, appointed by the Executive Board; the Property Tax Administrator who would be a nonvoting member; and a representative from the State Department of Education, also a nonvoting member. I have proposed the change in membership for two reasons. By having representation from the State Board of Education election districts, the composition of the committee would have representation from across the state in order to address the diverse geographical needs of Nebraska. The Property Tax Administrator and the State Department of Education representative are nonvoting because their duty to the committee is to provide data and information to other committee members. LB215 states that the committee shall meet at least once annually and may meet more often upon the call of the chairperson. Based on past history, I believe the committee would need to meet approximately four to six times a year in order to issue the annual report that is required to the Governor, the Legislature, and the State Board of Education. Keeping the number of meetings to a minimum will ensure the expense of the committee will remain a smaller amount. The duties of the committee mirrors the duties of the previous committee. The main purpose of the committee is to monitor the Tax Equity and Educational Opportunities Support Act and suggest needed revisions to the act. The committee would review different aspects of the state aid to schools formula. The previous committee has had success improving the state aid to schools formula in the past. For example, we worked with the Legislature's Education Committee in regard to the annual resolutions that the Education Committee passed. Through that process, sparsity in the state was studied and a factor was added to the formula to address that need. I'm a strong supporter of the School Finance Review Committee. I have witnessed firsthand the effectiveness of the committee. I feel this committee is needed in order to provide a constant evaluation and review process of school finance. It allows for that process to be conducted in an open and public forum in which members can

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engage in worthwhile discussions and air differences on the subject of school finance. It has proven in the past that its benefit to the state outweighs its very minimal cost. By reestablishing the School Finance Review Committee, Nebraska will have a proven vehicle for school finance evaluation that is beneficial and cost-effective to the citizens of the state. I would add also that I think this committee is extremely important in the situation that we find ourselves in now with term limits, because we see a turnover in legislative leadership, legislative knowledge of the school finance formula. And this committee would provide the Legislature and also the people of the state with a continuance of some knowledge of what the formula is. Thank you very much, and I'd be happy to answer your questions. [LB215]

SENATOR ADAMS: Are there questions for Senator Fischer? Senator Sullivan. [LB215]

SENATOR SULLIVAN: Thank you, Senator. The obvious question has to be asked, why it was eliminated to begin with? [LB215]

SENATOR FISCHER: It was cost-cutting measures in 2000 in the special session when the Legislature was looking at cutting costs. Also I...on a personal view on that, I think that the committee is only as strong and only as effective as the Chair of the Education Committee of the Legislature wants the School Finance Review Committee to be. There's been different Chairmen who have been strong participants in the process and other Chairmen that probably were not as strong in participating in the process. [LB215]

SENATOR SULLIVAN: So in the past, when it was active, what sort of relationship did it have with the Education Committee in terms of sharing the information that it had? [LB215]

SENATOR FISCHER: The Chair of the Education Committee was a member of the School Finance Review Committee when I was on. When Senator Bohlke was Chair of the committee, that is when I served on a task force with the Education Committee during an interim study, which eventually out of that interim study came LB806 which made changes to the school finance formula, and one part of that was to include the sparse and very sparse factors. And again, it depends upon the Chair of the Education Committee on how involved they want to be and how involved they want their committee to be. Senator Bohlke had involvement with her committee during that interim study that I was a member of as a member of the School Finance Review Committee. [LB215]

SENATOR SULLIVAN: Thank you. [LB215]

SENATOR ADAMS: Are there other questions for Senator Fischer? Senator Giese. [LB215]

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SENATOR GIESE: Thank you, Senator Adams. Senator Fischer, so where do we get this information now, then? If we don't have this committee any more, where does that come from today? [LB215]

SENATOR FISCHER: I would say it would come from your committee here in the Legislature. It would come from information that your staff would compile for you at the direction of your Chair or from your committee. It would possibly come from any interim studies that were conducted on school finance. [LB215]

SENATOR GIESE: Thank you. [LB215]

SENATOR ADAMS: Senator Haar. [LB215]

SENATOR HAAR: Thank you. Do you see, for example, like this committee would meet around the state so that various people from around the state could give input, or how did you operate? [LB215]

SENATOR FISCHER: We...I don't remember ever doing that, that we met outside of Lincoln. And we did meet quite often when I was on the committee, because we did yearly reports that were given to the Legislature, and looked at a variety of things. And we also passed, as I mentioned, resolutions dealing with equalization and the importance of equalization in the formula that we felt at that time. We would have a number of groups that attended our meetings and monitored them. They would offer comments, too. I just thought it was very helpful to expand the public forum for school finance issues. And to bring in, not just the experts in the field, the superintendents, the business managers, that might want to be involved in it. I was a school board member at the time and that's how I was involved with it, being selected by the Governor. And it's good...it's good to broaden the view on school finance and hear other opinions. And maybe they don't make any sense, but I happen to think regular citizens of Nebraska do have good ideas and bring a different perspective that we all need to be aware of and consider when we talk about financing education in the state. [LB215]

SENATOR HAAR: But the Legislature, under this, still maintains the final say, right? [LB215]

SENATOR FISCHER: Oh, definitely...definitely. This committee is only to provide information. We had the Department of Education do different studies. I think...yes, I see Dr. Pool here. He worked for the Department of Education at the time and served on the committee, and he can probably explain to you, better than I, the scatter charts that were developed for different information that we had. And it was nice to have it all together in one report that was given out to a variety of sources that you could use, too, to gain information. Because a lot of times during debate and discussions on school finance, it's difficult to follow, it's difficult to understand. We have changes. I'm sure you

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guys won't change anything this year. But you know, we have changes all the time. It's hard to keep up on. I haven't been involved the last four years as intimately as I had been in the past. So it would be nice to have it altogether in one report, too. [LB215]

SENATOR HAAR: Sure. So how did your school board pay compare with what we get now? [LB215]

SENATOR FISCHER: About the same. In fact, now we get a little more. [LB215]

SENATOR HAAR: Thank you. [LB215]

SENATOR ADAMS: Senator Howard. [LB215]

SENATOR HOWARD: Thank you, Mr. Chairman. Just a quick question. You have a really modest price tag attached to this of \$3,000. And that calls for two...that's based on two meetings per year. So if they decided or if it was necessary to do three or four meetings, that could be slightly more. [LB215]

SENATOR FISCHER: In the past, we were really fortunate that the Department of Education provided the expertise, and from the questions we had, from the information we wanted, they provided that to us. Members were...I believe members could be reimbursed for mileage when they served on the committee but, you know, otherwise there was minimal expense. Of course, we did demand time from the Department of Education folks, but I would think the information they gained from it was beneficial to them also. [LB215]

SENATOR HOWARD: I'm sure you're right. Thank you. [LB215]

SENATOR FISCHER: Thank you. [LB215]

SENATOR ADAMS: Senator Sullivan. [LB215]

SENATOR SULLIVAN: Thank you. Senator, I was trying to compare what the makeup was of the previous commission and what you're recommending now. Can you tell me what the differences are? [LB215]

SENATOR FISCHER: I went with the people being selected from the Board of Education districts because...well, the main reason, we lost our Class I and Class VI schools, and so we went to the eight Board of Education districts. When I was on, the member from the Department of Education and the Property Tax Administrator, and also we had a member, I believe, from the Department of Revenue, and they were voting members. I don't think that's appropriate that they were voting members. I think that their job should be to provide information in a neutral capacity and not be a voting

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member on the committee. We had what was termed a school finance expert on the committee. That's a subjective judgment on the Governor's part to determine who's an expert in school finance. I think those would probably be the major changes from the two committees. [LB215]

SENATOR ADAMS: Are there other questions? Senator Fischer, as I looked at this, I've often thought that given the impact on our state budget and the fluidity of TEEOSA and the disparity that we have all across the state in school districts, that continual review...that's a powerful thing. There's really nothing wrong with that. My concern that I'd like you to address in here, do you feel comfortable in the composition here that we can depoliticize this group as much as possible? [LB215]

SENATOR FISCHER: I do. I would have no problem if you would see a need to change any of that though. My purpose is to reestablish that public forum. So many times what we do here in the Legislature, it is very public. But we also receive information from a variety of sources, and it's sometimes difficult for the public to understand where that information is coming from, how we come to our conclusions on things, just because of the conversations that we all have. I just, I think this would just be really beneficial for a public forum, and if you would think there's any better way to establish the membership on the committee, I wouldn't have any problem with that. [LB215]

SENATOR ADAMS: Okay, thank you. We can talk about that, too. I do think this has some...it's interesting. I just wonder how we can make sure that it's an objective, across-the-state look at the formula. [LB215]

SENATOR FISCHER: Right. And I think...I would like to stress, too, that this committee...sometimes when committees are formed, they take on a life of their own, and they don't just want to make the recommendations, but they want those recommendations to be followed. And I would like to stress that this committee, as any committee that is formed, their job is to make recommendations. Their recommendations may not be followed for whatever reason the Legislature may determine, because it does rest with the members of the Legislature on what we're going to be doing with school finance now and into the future, but this committee would be able to have discussions, would be able to make those recommendations, again in a public setting that's open, and to give people another opportunity to step forward and give their ideas on what needs to be done with school finance. [LB215]

SENATOR ADAMS: Okay. Are there any other questions for Senator Fischer? Are you going to stay around to close? [LB215]

SENATOR FISCHER: Thank you. No, I have a bill in my committee now, so I need to get back there. Thank you. [LB215]

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SENATOR ADAMS: All right, thank you. We'll take proponents to this bill right now. [LB215]

DENNIS POOL: Senator Adams, members of the Education Committee. My name is Dennis Pool, P-o-o-l. I am here as a finance administrator for a school district in the state of Nebraska; not representing that district specifically. However, I would like to speak as a proponent to the senator's bill because of the situation that she mentioned. This was an organization that grew out of the original LB1059, the original Tax Equity and Education Opportunity Support Act that was established in the 1990 Legislature. The idea was to have a forum that would take the act, review the information in the act, and present back to this committee and to the Governor reports on how effective and how this new act was working. And I'm not going to reiterate things that were stated earlier. We had some very good deliberation in that group. I recall in the days that we had a lot of participation in that, and I do think it would give this organization and the Legislature an opportunity to have a body who they could ask questions to, who could offer...then provide feedback on data and information that was provided in the act or changes that might be suggested. I do share with you that as a member of the staff at the Department of Education, and I see some of those individuals are here today, it was a significant amount of work for those people to do. But I do think that the products that came out of this, looking at the data, reviewing how effective...to ask, for instance, are we seeing the funding going to the ESL--the limited English proficiency students--is it accomplishing the things that we want to accomplish? And to allow a group to take an opportunity to study that and to provide feedback to you in its report, I think would provide you with a great opportunity for additional information. So I support Senator Fischer's LB215, and I think it would be a good thing to have it reinstated. [LB215]

SENATOR ADAMS: All right. Are there questions for Dennis? Well, Dennis, let me ask you the same question that I asked of Senator Fischer. As you look at the composition of this board as proposed by the senator, do you think that that group can be as nonpolitical as one might expect them to be? [LB215]

DENNIS POOL: Well, I will share with you that over the years that I participated in this, that representatives from the classes of schools did make it a somewhat political environment. I think Senator Fischer's recommendations to have these representatives come from different State Board of Education districts gives you an opportunity for the Governor to appoint some people who could really, one, have the experience and possibly the desire to stay and learn about the act and represent back to you a fair and representative view of the act. So I do think it's a much better composition than it was previously. [LB215]

SENATOR ADAMS: All right. Fair enough. Are there other questions for Dennis? Yes, Senator Haar. [LB215]

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SENATOR HAAR: Yes, thank you. Well, the way, even those these are recommendations, the way things work is the newspapers would pick this up and there could be some considerable pressure developed as a result of that in one way or the other. And I don't know, do you have any feelings on that? [LB215]

DENNIS POOL: You know there was...there has been review of the act, but again it was a process that was intentionally put in place so that the questions could be answered by a group who would have some expertise in the act and how its impact would be upon school districts. And so is that pressworthy? Different findings, I'm certain that they would be Senator Haar. But I don't think that was ever the intention of the group was to develop a political agenda themselves. It was simply to answer questions and to discuss how this funding formula, as complex as it is, would impact our individual school districts. [LB215]

SENATOR ADAMS: Yes, Senator Sullivan. [LB215]

SENATOR SULLIVAN: Thank you. Do you view this then as sort of a checks and balance on how the formula is exactly being applied and used as intended? [LB215]

DENNIS POOL : I think it more...it's more of an evaluative tool that this committee would have because obviously this is the group, and the full body of the Legislature enacts the laws that change it. Now, to be able to assess and evaluate how those changes are impacting the goals and mission of the act and those type of things through work with the Department of Education who has the data, certainly it would provide you an opportunity to have the feedback. But I don't believe it would be construed to be anything other than that. [LB215]

SENATOR ADAMS: Are there other questions for Dennis? Thank you, sir. Next proponent. [LB215]

JOHN BONAIUTO: Senator Adams, members of the committee. John Bonaiuto, B-o-n-a-i-u-t-o, executive director of the Nebraska Association of School Boards. And Senator Fischer did a great job of her opening. Being a person that has followed state aid over the years, it was really...having the ability to attend the meetings and listen to the open forum and exchange of information and ideas was a good learning experience. And I think that what you have is an opportunity for a group to discuss whether things that look good on paper and are supposed to work a certain way, actually work the way they were intended to work. It's a group that doesn't have power and is intended to be a resource. And I think having the open dialogue and the forum to exchange information helps open the eyes of individuals that may not have experience with some of the different issues that impact our schools. We are such a diverse state and there's so much difference in our schools. So I think that with term limits, the complexity of the formula, all of the things that have been stated, the cost of creating this kind of a

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committee would be minimal to the benefit it could have, again in creating that open forum dialogue and providing this body and the Governor's Office with information. With that, I will close my testimony as a proponent. [LB215]

SENATOR ADAMS: All right. Thank you, John. Are there questions for Mr. Bonaiuto? Senator Sullivan. [LB215]

SENATOR SULLIVAN: Thank you, Senator. Well, following up on just what you said, and I'm still curious with the current fiscal note. And it was apparently eliminated, to begin with, because of cost. Was there...you were around to see the first one in action so I'm really wondering if cost was the issue as to why it was eliminated? [LB215]

JOHN BONAIUTO: Well, I think that cost was surely one of the issues. There are so many commissions and groups, and when that list is reviewed I know it falls under scrutiny. And each of the groups on the list of committees and boards, they have their proponents or their supporters. Again, I think that in this situation, because of the involvement of the chair or the committee being so involved in state aid, it...the committee was not seen as vital as it once had been. So I think that, again, that was before term limits had really come into play, and I think that with a change and, again, the complexity, rarely do we go through a session that there aren't some sweeping changes and revisiting how those work. And having that discussion is very healthy. So it's...the environment has changed. [LB215]

SENATOR ADAMS: Other questions for John? John, I'm going to ask you the same question as I have the first two testifiers. As your organization reviewed this piece of legislation, I'm sure that you had all kinds of discussion on it, did they feel comfortable with the makeup of this group? [LB215]

JOHN BONAIUTO: They did. And again trying to get people involved, with different perspectives that come from varying, different parts of the state with a lot of different-sized districts that are experiencing loss in enrollment and other types of issues that may be unique to that particular part of the state, that kind of exchange of information is important. Is there a certain amount of politics involved? I think people come with a perspective from their area. But there's an opportunity to help others understand and also to learn a little bit. I'm not saying that you can always change a person's mind, but it's a much more comfortable forum to have the discussion and the exchange of ideas, not as formal as this, and so you could have some pretty heated discussion. And in the end, when recommendations are brought forward, I think the group has to come to some consensus. And at least people have had an opportunity to be heard, tell their story, and the School Finance Review Committee has to be make decisions of what's worthy enough to be moved forward to have further discussion and review. [LB215]

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SENATOR ADAMS: Okay. Are there other questions? Thank you, John. [LB215]

JOHN BONAIUTO: Thank you. [LB215]

SENATOR ADAMS: Are there other proponents to the bill? We'll take opponent testimony then. Are there any opponents to this bill? Is there neutral testimony? [LB215]

BRIAN HALSTEAD: (Exhibit 1) Good afternoon, Senator Adams, members of the Education Committee. For the record, my name is Brian, B-r-i-a-n, Halstead, H-a-l-s-t-e-a-d. I'm with the Nebraska Department of Education. We're here in a neutral capacity. I'm here to get the letter in from the department that the State Board asked, that if this committee is created, that the Legislature provide us with the adequate funding for the committee. And with that, I'd answer any questions you might have. [LB215]

SENATOR ADAMS: Thank you, Brian. Are there questions for Brian? Senator Sullivan. [LB215]

SENATOR SULLIVAN: You have seen the fiscal note attached to this? Do you feel that is adequate? [LB215]

BRIAN HALSTEAD: Well, we used, for that...I think it's \$3,000 if I remember correctly for the fiscal note. What we used as our model for that is the State Committee for the Reorganization of School Districts that meets about four times a year. It has five members appointed to it from the general public. They are entitled to be reimbursed for their expenses, so we used that as somewhat of a model for it. Depending on how many times this committee wants to meet or where it wants to meet, those numbers may change. It was good to hear Dr. Pool talk about department staff time. In the past, for this committee, I know Dr. Pool is very familiar with it because at one time he was the staff doing the work for that committee, so he was well aware of the commitments in that regard. But I think the \$3,000 to \$5,000 probably should be enough, but again it's going to depend on how many times that committee decides it wants to meet. And if it's going to ask for some voluminous research by the department, we've got the staff. It's just going to be whether they've got the time to do it or how much time we're going to pull that staff away from other projects we're currently doing, so. [LB215]

SENATOR ADAMS: Are there other questions for Brian? Brian, thank you then. Appreciate your testimony. Is there other neutral testimony on this bill? If not, then we will close the hearing...no, we won't. Yes, the senator is not going to close. We'll close the hearing on LB215 and move on to LB578. Senator Fulton. [LB215]

SENATOR FULTON: (Exhibit 2) Thank you, Mr. Chairman, members of the committee. For the record, my name is Tony Fulton, T-o-n-y F-u-l-t-o-n, and I represent District 29,

and I'm here today to introduce LB578. The quality of our public education system depends in part on the quality of the teachers employed to instruct our children. Over the course of the past several years, this body has been apprised of Nebraska's growing disparity in average teacher salary, both with respect to the national average and with respect to average salaries in our neighboring states. This salary disparity, if it is not currently a factor in the quality of our state education system, certainly presents a competitive disadvantage that hinders our potential. LB578 presents a means of ensuring proportionate growth in teachers' salaries with regard to the growth in state aid--that portion of school budgets which is a direct expression of the state. The bill requires that each school district shall expend a percentage of its state aid distribution on teacher compensation equivalent to the percentage that district has budgeted for teacher compensation. The language of the bill refers broadly to state aid. And I did see some concern with that language. My intent would be to focus on funds distributed by way of TEEOSA. In my time on the Appropriations Committee, the annual percentage growth for TEEOSA has been 7.0 percent and 9.2 percent respectively. Over the same period, the average annual percentage growth for average teacher salary has been just over 3 percent according to the Department of Education, and I have some handouts which I'd like to make available to you to that effect. When we look at the average annual percentage growth in TEEOSA aid since the full implementation of LB1059 in fiscal year 1992, we see an average annual percentage growth of 5.1 percent for TEEOSA, but only a 2.7 percent average annual increase in the average teacher salary. LB578 would provide a rubric by which teacher compensation may grow in better proportion with growth in TEEOSA. It cannot...concluding, it cannot be overstated that we live in a globally competitive environment and talented young educators are an important factor in our children's ability to compete in the twenty-first century. While school districts certainly have numerous fiscal responsibilities, it is my observation and contention that teachers are of the highest import. If a hierarchical importance is assigned to our broader education policy, then certainly highest import would be assigned to our teachers, for without teachers, school districts would simply become empty bureaucracies. Without teachers, a school will become just another building. LB578 expresses the state's recognition of the importance of educators through a vehicle that ensures that Nebraska school districts are competitive with respect to other states also vying for our teachers. And I'll answer any questions if there are any. [LB578]

SENATOR ADAMS: Thank you, Senator Fulton. Are there questions for the senator? Senator, I do have some questions. The bill says benefits too. So insurance costs go up, you would intend then that state aid would be adjusted accordingly to compensate for that also? [LB578]

SENATOR FULTON: Well, my intention here would be to provide...the answer would be yes to your question. This bill is not specifically geared to change TEEOSA. It would be geared to change...so the amount of money that the state provides via TEEOSA is

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found, statutorily, through that formula, which you all deal with. What I am saying is that that percentage of a school's budget which is utilized for teachers' salaries and benefits ought to be reflected in that percentage of aid that comes from the state. So if indeed benefits increase such that...the answer to your question is yes. That's my intent. [LB578]

SENATOR ADAMS: All right. And I also noticed in here, and I think, and you surely have the opportunity when you respond to my question, you list quite a host of things including school breakfast funds and federal funds also be figured into this mix. Are you considering even rolling that into the figure? [LB578]

SENATOR FULTON: Now, not in the bill. That's not expressed distinctly in the bill. The language, perhaps you were referring to that Chapter 79, Article 10, is that what the reference is to? [LB578]

SENATOR ADAMS: Um. [LB578]

SENATOR FULTON: Because that would be...that would be an article where federal funds could be interpreted as the intent of this bill. That would not be my intention. It might be more appropriate...and I think I have the language here. [LB578]

SENATOR ADAMS: But for instance, like school breakfast funds, which is state money. [LB578]

SENATOR FULTON: Right. No, my intention would be TEEOSA funds. We actually have some language here that...if it's...I mean, if the committee is willing to move forward with this bill or to address it, then the language that I would want to employ would be language "pursuant to" TEEOSA funding. That is the expression that we as a state make to complete the constitutional responsibility we as a state have for the public education of our children, free public education of our children. So that's my intention here. But yeah, breakfasts, federal funds, and whatnot, while they are part of that article, we could have been clearer in our drafting. [LB578]

SENATOR ADAMS: Okay. Are there other questions for Senator Fulton? Senator Haar. [LB578]

SENATOR HAAR: Thank you. What's happened...I mean, I certainly want teachers' salaries to go up. I've got a sister who teaches and so on. But what's happened during this time frame to create that disparity? What is more being spent on? Is it like administrators or...? And I don't mean to pin you on the question, but I'm just curious why that disparity has grown. Maybe I can ask another person. [LB578]

SENATOR FULTON: Well, I welcome the question, Senator. That...I mean, I think one

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can look at this bill and get a fair idea of the difficulty that we may have in trying to move it forward. I recognize that there would be challenges. Part of my intention in bringing this bill is to flesh out that debate. I'd like to be able to have this broader debate among the populous because this is something which we hear about every day, if not directly, then indirectly through the expression of concern with regard to property taxes in our state. Why have teachers' salaries? So what drew me to this numerically was just that: the numbers. We have a 5.5 percent average. My understanding, it's about an average increase of somewhere in the neighborhood of 5.5 percent per year for the past two decades, to school districts. Whereas in that same time period, teachers' salaries have dropped, comparatively speaking to other states, from twenty-something, down, I think, in the low forties. So I don't know for certain what's happened, but the fact of the matter is, the most important element to a school, that being a teacher, has suffered, at the same time that we have had at least commensurate growth with respect to the state's domestic product...well, our economy. Our economy has grown, on average, about 5.5 percent per year in those same 20 years. So what's happened to teachers? I don't know. I don't know that I have the ability to know as a state senator. But I know that we make an appropriation every year, a little over 5 percent, and so I think that we have some interest in knowing what's happening to our teachers because that affects our broader education policy in the state. [LB578]

SENATOR HAAR: Okay. Yeah, I'm a numbers guy, too, so I. [LB578]

SENATOR FULTON: God bless you. [LB578]

SENATOR HAAR: It's usually helpful. But yeah, that's a good question to be answered. [LB578]

SENATOR FULTON: I would...I would guess that the response will be that there are unfunded mandates that come down from the state and federal level which capture the use of school district funding. That is probably the case. But quantifying that has been difficult in our research. I just know that we have a problem, it's a looming problem, and there aren't any easy solutions in these tight fiscal years. And so I want to go back to the questions, well, how did we get here? And this is a way to open up that debate. It also proposes a way forward. [LB578]

SENATOR HAAR: Thank you. [LB578]

SENATOR ADAMS: Other questions for Senator Fulton? Seeing none, are you going to stay around and close? [LB578]

SENATOR FULTON: I won't. I can't. [LB578]

SENATOR ADAMS: Okay, thank you though. We would begin by taking proponents to

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this bill. [LB578]

LARRY SCHERER: (Exhibits 3, 4) Good afternoon, Senator Adams, members of the Education Committee. For the record, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I work for the Nebraska State Education Association in the Department of Collective Bargaining and Research. And I'm also interested in the numbers. There's been a lot of people that have studied the school finance numbers, and we don't have an exact answer to that, but presenting some testimony in support of the concept of the bill, as Senator Fulton indicated it's a relatively simple concept, but application of the concept is not always that simple, mainly because we're talking about general state aid that has historically gone out to school districts, unrestricted, as opposed to restricted. There are a number of new provisions in there, a number of the allowances, specifically probably in ELL now, that are tracked as far as funding and do have some strings attached to them, I guess you would say. The points I would like to make out of my testimony are that over time we have lost some track of the percentage of the total amount being spent or dispersed going to teachers' salaries. Included in that is support staff, both for students and for instruction. That percentage dropped from about 45 to 40 percent over the last ten years. A number of reasons for that. Your interim study committee looked at those numbers, and one of the things that the Fiscal Office pointed to was there is more federal dollars now and it's targeted for more things. It's a larger percentage of overall spending. So that's certainly one thing. There are also a larger number of state programs that are targeted for specific things. And as that percentage grows, then it's grown faster than the part that goes historically to teachers' salaries. One of the explanations possibly is that LB1059 was enacted, in large respect, under a property tax relief banner. And it's also an educational opportunity that...but what sold the referendum was the property tax relief. There's a provision in the bill that's always said that you deduct state aid before you make your property tax request. So implicit in that is a message, I think, to school districts, always has been, is that, you know, we want to limit property tax as much as we can with this aid. The second page talks about a number of new programs that have come in, a number of allowances that have come in since, in the last eight or ten years, a lot of them in response to some of the issues in the learning community and closing achievement gaps. And I guess I'd make the point from the standpoint of precedent and that the Legislature expects those dollars to be expended for those purposes and that's why they're quote, unquote allowances. Last year, the Legislature created a teacher education adjustment which provides more needs, more aid to districts that have a higher percentage of teachers with master's and doctorate degrees. It's an adjustment to needs, and it's one of the issues in the bill that you are going to hear today, as far as the funding for that. But it's not an allowance. There's no expectation. There's no requirement that those dollars be spent on teachers' salaries. It's simply an increase in the district aid. Now, certainly when we provide information to our locals to bargain, we point out the fact that your district received an extra amount of aid because of the teacher education adjustment. And we hope they've been successful in those districts, but it's only a minority of districts that receive that. As

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far as this bill goes, one of the questions I had when reading it was, it says districts "shall annually expend on teachers' salaries and benefits a percentage of its annual aid distribution"--and Senator Fulton has clarified that's TEEOSA aid--"which is equivalent to the percentage of the school district's annual budget." And I guess the first question is, are we talking about the whole TEEOSA pool of dollars that school districts receive or only new dollars? One of the ways to make this perhaps slightly more workable would be to focus on new increased dollars. When you're talking about redistributing a pool of \$870 million to match up with the portion of the budgets that are already spent on teachers' salaries, you're talking about some fairly monumental shifts of dollars. So as a suggestion as far as looking at this, we would suggest that the committee start with the idea of looking at new aid dollars and how those might be targeted, and to come up with some way that some share of that increase could be dedicated to teachers' salaries. That is my testimony and I will try to answer questions. If not, I will get you the answer as soon as I can. [LB578]

SENATOR ADAMS: Senator Haar, do you have a question? [LB578]

SENATOR HAAR: Yes. Thank you. Somebody said I don't seem to be embarrassed by what I don't know, so I'm just going to ask questions. First of all, the intent really of this is to open up a discussion, right? [LB578]

LARRY SCHERER: Right. [LB578]

SENATOR HAAR: I mean, because it's sort of like trying to find, to follow the federal money that's gone into the banks (laugh) and to account for every dollar. We're not going to be able to do that. And I have a bill where I'm going to suggest certain money be targeted to teachers' salaries, so I don't necessarily disagree with that concept. But...well, for example, the university gave us charts showing that their percent of state aid has gone down over the years, and I think that's because the state aid to education, you know, K-12 going up over the years. So I'm sort of trying to make sense out of this in terms of how you would actually implement this, but again it seems to me you're trying to open the discussion on how do we increase teachers' salaries, right? [LB578]

LARRY SCHERER: Right. Definitely. If you look at percentage of any total pool of dollars, what's happening in other areas will influence it, and that's why the suggestion, let's look at perhaps new dollars that are going in and some way to funnel those towards salaries. By the way, in saying that, the programs, the poverty programs and the ELL that were enacted, we completely support. I'm not suggesting taking money away from any of those. [LB578]

SENATOR HAAR: Of course, yeah. Yeah. And just off the top of your head, what are the mandates that have come down that have really put a crimp in how education dollars are spent? What are some of those, again, for my education? [LB578]

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LARRY SCHERER: Well, I think there's going to be some testimony today from the Omaha Public Schools, and one of those is the poverty program. Each school district must have a poverty plan and then fund that plan to a certain amount. But there has been a number of other programs that cost a little bit of money here and there. [LB578]

SENATOR HAAR: What are some of those others? I suppose like ESL and things like that, right? [LB578]

LARRY SCHERER: Oh, ESL. The transportation is coming up for the learning community. That's not on the list. Elementary class size, again something we support. Federal programs. A lot of the No Child Left Behind requirements took a lot of money. [LB578]

SENATOR HAAR: Oh, yeah. I heard a lot about that. [LB578]

LARRY SCHERER: And if you look in the annual finance reports which I have and would be glad to provide you a copy of, you'll see, you know, a couple million dollars going to try to fund the standards and the provisions of that. It wasn't nearly enough, but there's a significant amount of dollars. [LB578]

SENATOR HAAR: Okay. [LB578]

SENATOR ADAMS: Senator Cornett. [LB578]

SENATOR CORNETT: Yes, thank you. Mr. Scherer, it shows that over the period from '97 to 2007, salaries of teachers as a percentage of disbursed have decreased from 45 to holding right about 39-40 percent; is that correct? [LB578]

LARRY SCHERER: Right. [LB578]

SENATOR CORNETT: How does that compare with other people inside the school system, such as the administrators and the superintendents during that same time period? [LB578]

LARRY SCHERER: The second page with a lot of little teeny numbers on it has some provisions on that. [LB578]

SENATOR CORNETT: Is it broken down by percentages? Yes. [LB578]

LARRY SCHERER: Yeah. And, you know, I guess we all have our prejudices and sometimes we think overhead and administrative costs are high, but it doesn't tend to show that that's, you know, gobbled up a large share. Again, I commend you to the

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interim study report. And the federal programs really don't show up on this sheet or a lot of the other ones. Professional salaries, again, you know, not a big change over that period of time. It would be psychologists and counselors and such, so. I guess the big question, and maybe it's the subject of a continuing study, is how are we spending our money? What are our priorities, in practice, as opposed to what are our priorities in legislation? Schools have to budget for what the demands are and it's no easy task. [LB578]

SENATOR ADAMS: Senator Haar. [LB578]

SENATOR HAAR: Yeah, and I'm really concerned about teacher pay. I had a friend who became a new grandmother in Iowa City and was teaching in Lincoln, and went to Iowa City to interview for a job, which she didn't get, but the same job in Lincoln compared to Iowa City, she'd get \$8,000 a year more in Iowa City. Do you have any kind of rule of thumb suggestions where school districts ought to cut? Or who do we ask for that? I'm sorry...to keep things in balance so that we can be increasing teachers' salaries at a better rate, who do we ask that question of? [LB578]

LARRY SCHERER: The numbers we use are the NEA numbers which look at a national ranking. But I think you also need to look at specific districts. At the earlier hearing, we provided sort of a border analysis of Iowa versus Nebraska schools. We'll be glad to provide that to you. And if you're interested in other specifics, we have that for our schools. We have to go to Iowa. We have to go to the Iowa Department of Education or the Iowa Association and get those numbers, but we're glad to do that and make a more of an in-depth study of it. [LB578]

SENATOR HAAR: Yeah, kind of this graph to me is sort of a shame on us, you know, for allowing teachers' salaries to go down as a percent of total spending, and I'd like to, as we go along, see where some of those...see how that can be corrected. [LB578]

SENATOR ADAMS: Senator Ashford. [LB578]

SENATOR ASHFORD: Yeah. This bill has been...I've been here 11 years, and I think something like this has been before me several times. It's different variations, but. We have, at least in the last two years, increases in state aid of around \$120 million or 16.2 percent increase in state aid. Do you know...and I know at least in District 66, each teacher received \$1,000 or so this year out of their general fund as an additional incentive. And I certainly encourage school districts to maximize their ability to pay teachers. And the market is what the market is, and the teachers are going to go where the better salaries and the better opportunities are, wouldn't you agree? And some may go to Iowa and some individuals who want to, if they see an opportunity to make more money. But in reality, that doesn't happen that much, does it really? I mean people teach in Omaha if they want to live in Omaha, and that's where they teach. [LB578]

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LARRY SCHERER: There has been quite a bit of movement across the borders...
[LB578]

SENATOR ASHFORD: I mean, I'd like to see some data on it. [LB578]

LARRY SCHERER: ...especially Iowa and Wyoming. As far as specific numbers, we'll have to get you those. We can look at our membership numbers. [LB578]

SENATOR ASHFORD: Yeah, I mean I don't need...I mean, that's just not my experience. I think I've talked to a lot of teachers, at least in my district, that would sure love to get paid more money and I support them, but that's an issue that generally needs to be taken up traditionally with their school district. And we've certainly given them...the state has certainly been beneficent in the last two years in providing (inaudible). [LB578]

LARRY SCHERER: Westside was one of those districts that got a significant amount of dollars from the teacher education adjustment in LB988, and they used it for teachers' salaries. And there are a number of others in the metro area that did the same thing. [LB578]

SENATOR ASHFORD: Did the same thing. That's my point, I guess, Larry is that...
[LB578]

LARRY SCHERER: But now, by far, it wasn't a dollar-for-dollar type of thing. [LB578]

SENATOR ASHFORD: No. Well, they have other costs. [LB578]

LARRY SCHERER: They have other costs, right. [LB578]

SENATOR ASHFORD: And I think that the delicate balance that we've tried to have here in Nebraska is to provide sufficient state aid to meet the needs of school districts based...and then but to allow the school districts to make those critical decisions on how they pay teachers or what they pay teachers and how they...and I...in order to require this, though I'd love to see (inaudible). I'd love to see teachers make more money is would be a significant change in philosophy from where we are today and how we administer our schools. Wouldn't that be true... [LB578]

LARRY SCHERER: It would be true, but I guess I'd point out that South Dakota did something similar last year with the state aid and granted it was on a very small amount, but it's sort of what we're doing here today is opening the discussion on how you could influence teachers' salaries through state aid policy. [LB578]

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SENATOR ASHFORD: Yeah, I mean, if we...you know, as a sponsor of LB89 in 1987, when we tried to fund teachers directly with a state appropriation, I much prefer that, where we actually, if there's money in the budget to allocate to teachers for their good work. And if there's a formula for doing that, that address some of the levels of funding that we would like to have based on the certain factors that, of whether it be merit or some other form of calculation, I am for that. I mean, if someone wants to just take \$50 million, \$100 million, \$200 million and spread it over the next couple of years, pay it to teachers, I'd vote for it probably. But I just, I just hesitate to make it a mandate when it kind of flies in the face of how we've traditionally been doing it. But if the state really wants to deal with the issue of teachers' salaries, let's deal with the issue of teachers' salaries. Let's think about how the money should be distributed, and let's appropriate the money. Let's do it. [LB578]

LARRY SCHERER: As a separate...as a separate program, I wouldn't disagree with you. [LB578]

SENATOR ASHFORD: Sort of like...as a separate program, sort of like special education in a way. I mean, it's a separate program and it's based on our needs as a state, generally, as opposed to...you didn't need a speech, but I've been through this before. [LB578]

SENATOR ADAMS: Senator Cornett. [LB578]

SENATOR CORNETT: Yes, Mr. Scherer, I guess having lived through education over the last four years in the Legislature, I might have a different take than Senator Ashford on this one, just because I know how much money we've appropriated to the school districts. And not to pick on any one district, in particular, so I'm not going to mention names, but I know that we've sent millions of dollars of increases to school districts, and we haven't seen any increases in teachers' salaries in those districts. And we've focused on the learning community in education and in improving our ability to teach our students, but we don't seem to be focusing on how we're going to do that. [LB578]

LARRY SCHERER: Yeah, that was exactly my point in listing those programs that are in my testimony. The specific programs the Legislature has sent out new dollars for in the state aid, sends a message, this is where we expect you to spend your dollars. That message hasn't been sent, with the exception of the teacher education adjustment last year, and that's a start down the right road. [LB578]

SENATOR CORNETT: And if Senator Ashford is correct in that teachers teach in Omaha because they want to teach in Omaha, and teachers teach in Bellevue because they want to teach in Bellevue and they don't move to other states where they could have better pay, then maybe our school districts know that and aren't increasing their pay, and using the money for other things instead of focusing on the teachers. [LB578]

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LARRY SCHERER: I am not sure whether the first assumption is correct or not, but we would try to supply you with some information on how many are leaving the state. [LB578]

SENATOR CORNETT: Could we...I have, I don't know if the rest of the committee would like it, but a breakdown of the percentages by school district? [LB578]

LARRY SCHERER: On? [LB578]

SENATOR CORNETT: The percentage of teachers' salaries decreases by school district? [LB578]

LARRY SCHERER: Hmm. Russ. (Laugh) But we will talk to the Department of Education about that. Okay. [LB578]

SENATOR ADAMS: Senator Haar. [LB578]

SENATOR HAAR: Senator Ashford, we're going to pile on you a little bit. But the thing that concerns me just having come through a campaign and walked, having done a lot of door-to-door walking, the thing that not only...and I find, generally, people aren't going to move, most of them aren't going to move because they like Lincoln or whatever. But I did talk to a number of, like, juniors and seniors at UNL, and it was kind of like, you know, when I graduate we know where the money is and it's not in Nebraska. And that part concerns me a lot, that we're, and there are certain places in Nebraska obviously which get tons of, tons of applications and so on. But generally the feeling...and this one young man was talking about going to, you know, where all the people come in, they're recruiting teachers, and he said nobody actually had a sign up that says we pay more than Nebraska, but he said that when it was said and done, people knew exactly where they could go to pay off their school loans quicker than in Nebraska. So that's a big concern of mine is these new people. The people that are here already are probably stuck, especially if they have kids. And we do have a good life, but. [LB578]

LARRY SCHERER: It's hard for grandparents to leave. [LB578]

SENATOR ADAMS: Senator Ashford. [LB578]

SENATOR ASHFORD: Yeah, I don't feel piled on, Senator. It's a philosophical difference. I think we need to pay teachers more if we can. But I think it ought to be an appropriation...I think it ought to be separately appropriated for and not out-of-state aid. That's just, because I think then the state can see that...our citizens will see, here are the numbers. You know, whether there are people leaving or not, I don't know. I mean, some do, some don't, but that isn't really the indicia either. The indicia is what do we

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think is a fair salary and if it it's...and different school districts across the state pay different salaries. And I don't know, I guess I wasn't here. Larry, you suggested maybe that there are districts that had cuts in salaries, maybe, or is that what you were saying? That's what I picked up. [LB578]

LARRY SCHERER: No. [LB578]

SENATOR ASHFORD: Most school districts, or at least the two that I represent, had increases in salaries. [LB578]

LARRY SCHERER: No. Almost all have the increases. You know, the percentage varies all over the place. [LB578]

SENATOR ASHFORD: Right, I mean...because the collective bargaining is fairly rote. I mean, it's kind of the arrays are set and generally the increases are built into the system, with some changes from time to time, but I mean, they're basically there. [LB578]

LARRY SCHERER: Right. The array only gets you to the average of your array schools, which if that is lower than the other states, it still leaves you behind. [LB578]

SENATOR ASHFORD: Right. [LB578]

SENATOR ADAMS: Are there other questions? Thank you, Larry. [LB578]

LARRY SCHERER: Thank you. [LB578]

SENATOR ADAMS: Other proponents? Are there opponents to this bill? [LB578]

JOHN BONAIUTO: Senator Adams, members of the committee, John Bonaiuto, John with an H, B-o-n-a-i-u-t-o, executive director of Nebraska Association of School Boards. First and foremost, I want to say that this testimony isn't in opposition to higher teachers' salaries. I think that we have a system that is difficult to work with. And I know that there's a process, and at one time salary schedules were created to raise salaries. And we have to work within these salary schedules and they're boxes and it's difficult to do some of the things that you would like to see happen through those boxes. And I know that school boards want to put as much money as possible into the classrooms and teachers' salaries, and the salary schedules are either 4 x 4's or 4 x 5's or 5 x 5's, so as I'm sitting here, there's going to come a point this year when teacher salary settlements come in and they're 4, 5 and 6 percent. In hard economic times, school boards are going to be criticized for spending too much money. Before a school board sits down and even opens its mouth at the bargaining table, if a person is moving from step 5 to step 6 or whatever the step is, there's going to be a 4 percent increase. And then we'll

have new money put in the schedule. And if you put \$100 in the upper left-hand corner in step 1, by the time it gets down to step 15, 16, 17, 18, 19, 20, and master's degree plus whatever, it's a considerable amount more. And so it is. The system is...it was created for a different time but it's the system that we're stuck with. The other piece to this is the Court of Industrial Relations. And when boards bargain, the NSEA picks a group of schools to compare how teachers' salaries look in that particular district and the board picks a group of schools. And within the parameters of how those schools are picked, if the district would end up in the Court of Industrial Relations, some of the argument will be, who should we be compared to. And I think, more often than not, the NSEA's group and the board's group may be one or two districts off, but it's a broader group than that. And so we don't have a lot of court cases. The boards and the processes is on a treadmill so that if I am at my midpoint of an array to compare salaries to, I'm not going to be able to stay there because if the districts below me move up, I'm going to move down. So it's a constant churning of bumping salaries up. I think the discussion here is how do we make moves that are not incremental. And within the confines of this system or the way we have things arranged, it's very, very difficult. And I think you're going to hear in LB545 that we're going to have a lid that will try to hold people down to a particular level so that some districts can't move in larger steps than others. And again, that's part of the process. I would close with one thought, that as you look at this issue, please look at total compensation. Don't look at the boxes on the salary schedule. Look at salary plus insurance plus retirement, because when you put Nebraska in that context we're not in great shakes, but we're better than we're portrayed. And so it, you know, in some districts, the district pays the entire insurance premium, and if it's family insurance, that's \$13,000. It's not part of salary but it's part of the benefit package. With that, I will conclude my testimony and hope that this does create a discussion. [LB578]

SENATOR ADAMS: Senator Ashford. [LB578]

SENATOR ASHFORD: Yeah, I think you made the point that I made but rather not as well as you have done. But the CIR determines the array. Every school district generally knows what their salaries for their teachers are going to be, within reason, and there can be a dispute over a couple of districts, but generally there are core districts and people move up and down based on the criteria that has been laid out over many, many decades actually. And that's how those salaries are set. So if, in fact, the CIR...and you're right, they don't go to court very often because it's fairly well-established, so the salary is what the salary generally is. Negotiating. This isn't like, you know, the Teamsters versus the Truckers of 1932. I mean, this is pretty rote stuff. So in actual fact, teachers' salaries, though maybe should be higher, are fairly well established by state law anyway. Wouldn't that be a fair statement? [LB578]

JOHN BONAIUTO: It is, Senator. [LB578]

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SENATOR ASHFORD: Okay. And so that if we really want to do something like we did in LB87...or LB89 in 1987, which was actually appropriate money for teachers' salaries, you know, in that...we could suggest that that amount be outside of the comparable salaries calculation so that that would be an actual boon to each individual teacher. But other than that, we're somewhat stuck by the CIR calculations. [LB578]

JOHN BONAIUTO: We are. [LB578]

SENATOR ASHFORD: Okay. Thanks. [LB578]

SENATOR ADAMS: Senator Haar. [LB578]

SENATOR HAAR: I'm sorry, just go over it again because I'm trying to understand. You're saying that salary schedules hold down teachers' pay, is that...? [LB578]

JOHN BONAIUTO: Well, you're confined to those boxes in a sense that if you wanted to go outside of that framework it really isn't possible. The exact salary schedules that were created years ago to increase teachers' salaries, I think are now holding them in more of a lockstep fashion. [LB578]

SENATOR HAAR: Yeah, now I can see that, but how does that hold teachers' salaries down? [LB578]

JOHN BONAIUTO: Well, again, boards need to have the ability to fund the salary schedule. [LB578]

SENATOR HAAR: Right. [LB578]

JOHN BONAIUTO: And every time you raise the base a dollar, that dollar is multiplied by multipliers throughout that schedule. And I think boards are going to have a hard time just funding the salary schedules this year without putting any new money in it. So if you're talking about targeting, how do we raise...if you were going to raise the base salary \$1,000, by the time you got to the farthest step down, and with higher education degrees, that \$1,000 would be...it could be \$1,800. It would be a substantial amount more. So it is difficult. I think what we're talking about is, philosophically how could you do this differently to help increase all of the salaries? We've had debates about are certain fields worth more than others? And that's a debate that is rather difficult and one that I know that NSEA has resisted because I know that you hate to put values on, you know, is a kindergarten teacher worth more than or less than, or is a science teacher worth more than...? These are very difficult debates. But the market is such that, in some areas it drives the salaries up. Really, in education the market is that it's salary schedule. If I am in a very hard to find field, I only can work within that schedule. [LB578]

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SENATOR HAAR: Right. So you're saying to target raises to one place or another, that salary schedules may be difficult. Yeah. [LB578]

JOHN BONAIUTO: You bet, the market is the salary schedule. [LB578]

SENATOR ADAMS: Senator Giese. [LB578]

SENATOR GIESE: Thank you, Senator Adams. Mr. Bonaiuto, then so tell me, what is the quickest way--you put yourself in our situation--what is our quickest way to get from 42nd or 45th in teachers' salaries to, let's say, average, at best? [LB578]

JOHN BONAIUTO: That is...if I had the answer to that question. (Laughter) [LB578]

SENATOR ASHFORD: It's an easy answer. You appropriate the money. [LB578]

JOHN BONAIUTO: Yeah, you need more money. You need to prorate money, you need more money, a lot more money. And in tough years like this, having that schedule and the security of that, you know, the way the process works is not a bad thing. So it's in the boom times that you'd like to have a lot more, but in these hard times I think people are going to keep their jobs. They're going to get a raise. And you know, I could tell you where a lot of the money from state aid has gone. It's gone into early childhood education, full-day kindergarten. There are a number of areas where we've added staff and raised costs. And so there is some additional expense. When we went to all-day kindergarten, for those districts that were able to move into that they virtually doubled the kindergarten staff in their schools. [LB578]

SENATOR GIESE: Just if I could just follow up? [LB578]

JOHN BONAIUTO: Sure. [LB578]

SENATOR GIESE: Two things that I've heard today then that are, I guess, concerns is, you know, if we have the money in the budget, then we can appropriate the funds, and then also these boxes that we are put into and we have to follow these boxes. So those are two things that I think we have to look at and trying to figure out a way, how do we get out of the boxes and figure out a plan that we're going to do, and if that's Senator Ashford's suggestion that we just fully appropriate, what was it...\$50 million? [LB578]

SENATOR ASHFORD: \$200 million. [LB578]

SENATOR GIESE: \$200 million. [LB578]

JOHN BONAIUTO: Whatever that number is. [LB578]

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SENATOR ASHFORD: It's probably not \$50 million anymore unfortunately. It was sort of then, but now it's probably more like... [LB578]

SENATOR GIESE: But those are just two things that I think we need to address, and soon. [LB578]

JOHN BONAIUTO: Yes. And again, this is not a stall, but this is one of those topics that we spend time during the interim on, and you...you know, it's been studied over the years, and we just haven't found a plan yet that does what we can get all the partners to agree on needs to be done and how it should be done. But again, I think this is a very important discussion item and would be worthy of more interim time in studying it. [LB578]

SENATOR GIESE: Thank you. [LB578]

SENATOR ADAMS: Senator Sullivan. [LB578]

SENATOR SULLIVAN: Thank you, Senator. And speaking of that, was there not a study last summer on teachers' salaries? [LB578]

JOHN BONAIUTO: There was. And we've done more comprehensive ones in past years, and it's not a simple...it's not a simple problem to tackle because of how the process has evolved over the years. It's not an insolvable problem, but it's one that we need to spend some time on and find a path to make sense of doing what you would like to see done, what we would like to see done. The school boards have to work within the confines of this process to hire teachers. And if they're not coming here or they're unhappy because, you know, we use every tactic in, you know, the world when we're trying to recruit staff is, well, the houses are a little less expensive. You know, we'll try everything. We'll try whatever we can to explain why you're not going to be making as much but that won't be a problem. [LB578]

SENATOR ADAMS: Are there other questions for John? Senator Ashford. []

SENATOR ASHFORD: But really, I mean, we're kind of dodging it here a little bit. I mean, we've been...this has been studied 20, 30 times probably, and we come up with the same conclusion every time, and that is that the CIR determines salaries. So you can change the CIR's jurisdiction, if you wish, and you could take schools out of the CIR. You could do that. And you could set salary schedules that are based on other criteria; you could do that. But in reality, really it's an issue of political will. It's an issue because if we wanted to fund teachers' salaries, we could fund teachers' salaries. It might take a half a cent of sales tax or a quarter-cent sales tax. It might take a...you know. But that's really, in reality, that's what we're talking about. [LB578]

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JOHN BONAIUTO: It's the bottom line, Senator. And it's going to take this body to make that happen. [LB578]

SENATOR ASHFORD: Right. And either a governor will say do it or this body says do it. And then as Senator Adams has suggested, over time, that we think about a formula on how to distribute it based on various factors, and we do it. [LB578]

JOHN BONAIUTO: Yep. [LB578]

SENATOR ASHFORD: But otherwise we're just kind of mincing words. Not you. [LB578]

JOHN BONAIUTO: No. [LB578]

SENATOR ASHFORD: But we're talking around the issue. [LB578]

JOHN BONAIUTO: Exactly. And I think that, you know, for the boards, as long as this type of an increase or looking at doing something is attached to a funding source that's going to be there. [LB578]

SENATOR ASHFORD: That's the only way this is ever going to happen. [LB578]

JOHN BONAIUTO: Yeah, you need a funding source that in bad times you can't say, well, we're going to have to back off here, because then people have to go. We're a very labor-intensive operation. [LB578]

SENATOR ADAMS: Other questions? Thank you, John. [LB578]

JOHN BONAIUTO: Thank you. [LB578]

SENATOR ADAMS: Is there other opposition? Is there neutral testimony. Seeing none, then that will close the hearing on LB578. And we'll move on to the last bill of the day, LB545. Senator Howard. [LB578]

SENATOR HOWARD: Chairman Adams, it's good to see you in this committee. (Laughter) If you're ready. [LB545]

SENATOR ADAMS: (Exhibit 5) Thank you, Senator Howard and members of the committee. My name is Greg Adams, representing the 24th District, and I have before you LB545. And before I get into the details, I think that given the gravity of this particular piece of legislation it warrants a bit of introduction. I come to you today with absolutely no degree of enthusiasm for this particular bill. When I anticipated becoming the committee chair, the last thing that I wanted to have to do was to come before this

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group and say, we have a fiscal problem, education needs to be a partner in this, and we are going to have to reduce some of the aid that we pay out to schools. It's the last thing that I want to have to do, but here we are. Senator Heidemann, the Chair of the Appropriations Committee, and I were called into the Capitol in early December, and the Fiscal Office, budget office showed us the numbers, the revenue numbers. And they're not good. And at the end of this month when the February forecast comes out, quite frankly they may even be worse than we anticipated. Now at that point I went back to my office and said to myself, all right, I can dig in, draw a line in the sand, and say I don't care what the revenue forecasts are; the appropriation under LB988, or the appropriation will be driven by the needs as calculated by state aid in LB988. Regardless what that number comes out to be, we're going to fight to fund it all. I don't think at that point, and I still don't, that that's realistic. The revenue numbers aren't there. What you have in front of you in LB545 is, and I emphasize, a plan. It's a plan that can change with amendments by this committee. It's a plan that may change with the February forecast. It's a plan that may change with amendments on the floor. It's a plan. And the reason that this plan exists is not just because of the revenue forecast. This plan is there because it is the responsibility of this committee, and no other committees of this body, to adjust the aid formula. And we can sit here or I can sit here and say that when times are good and revenues are flowing, the needs as we calculate them ought to drive the appropriation and that is how it ought to be. Well, the reverse side of that then must also be true. If the revenues are not there and there needs to be an adjustment in needs in order to match an ugly revenue picture, then we have to be the ones to deal with that. We can't shirk our responsibility. What you have in LB545 is again a plan. A plan to adjust needs and to adjust the resource side of the aid formula. And we need to be open as we go along to the revenue forecasts and the concerns of every school district that comes forward, to you individually, to this committee, to my office and says, hey, look. We'll also want to be very sensitive to the numbers that we get from the State Department of Education when they are done modeling the impact of the changes that I'm going to offer you today. We don't have that yet. This is a beginning point. Now what we are planning to do or what this bill would offer in LB545 is basically four adjustments to the aid formula. And another thing that I want made perfectly clear: These adjustments, these changes, these amendments, these modifications are within LB988. We're not going in and throwing out allowances, throwing out adjustments, making major changes in the state aid formula. We are moving decimal points. We are postponing the enactment of certain parts of it that still stays within the basic philosophic framework of LB988 as passed by the Legislature last session. Now the four things that will be targeted in LB545 as a beginning point. First of all, the basic allowable growth. To explain this in the simplest terms possible, and I know that there are people here that can explain this in more detail than I can, the essence of it is this. If we're going to adjust needs, one of the things that we can do within the existing formula is to say to school districts, they cannot grow their needs with this high a percentage factor as they have previously. We're going to slow down that growth. Remember what we're trying to do. We're trying to adjust the needs so the

appropriation isn't as great. This will do that. And if you look at the...currently, the cost growth factor is 6 percent we're growing needs by. And what you would see is that under LB545 we're going to shrink that growth. Now school districts will still be allowed to grow needs, but quite frankly, it will be reduced. It's like...the cost growth factor is like an inflation factor. We're trying to build in for inflation. And what we're saying here in this particular portion of the bill, well, we're going to amend that inflationary allowance a bit, and how much that can be spent by school districts. The second part is allocated income tax. This is the resource side. Allocated income tax is the portion of state income tax that's attributable to each school district based on the amount of income tax that comes from those particular school districts. Last year, that rebate, that allocated income tax rebate was adjusted back. What I'm suggesting here is that we simply will continue that adjustment. We won't increase the rebate. We'll leave it where it was. Factor number three goes to the averaging adjustment. This again, we're attacking the needs side of the formula. To try to explain it in the best terms that I understand, it would work like this. The averaging adjustment is designed to help school districts who are below average spenders bring that average up closer to a state basic spending level. Now the logic behind that is, we may have school districts out there that, typically because of size or whatever it may be, are below average in spending, and they maybe can't increase because of levy limits or expenditure limits or choices that they've made. So what we will have said thus far in LB988 is that we want you to get closer to that average, and we want to particularly help those school districts that are at the \$1.05 get closer to the average. When they've got that lid on them, that levy lid, we wanted to help bring them closer to the state average. So if you look in the PowerPoint, you'll see the current adjustment calculation, the average adjustment. And as you notice, the lower the levy that a school district has, the smaller percent of assistance they get from the state to bring them up to the average. What we are in effect saying then is if you have levy room, bring yourself up to the average. And, of course, as you get down towards the \$1.05, the less room schools have to get towards the average, so the state steps in and says we'll help more get you towards the average. That's current law. What LB545 would suggest is that we, in effect, erase this spectrum from 10 percent to 90 percent; that we compress it. And we in essence say that for those levies that are at least at \$1--at least at \$1--the state aid will be 50 percent of that difference to get you up to the average. The last thing that we would do in a formula: the teacher education adjustment. The teacher education adjustment, the essence of it is this. We take a look at the average number of teachers in the state, on average, that have master's degrees and specialist's degrees. Then we look at a specific school district and say, what percentage of your faculty has master's degrees and specialist's degrees? And then we look at the difference between the school district's percent and the state's average percent, and we try to help out that difference. So if a school district has an above average number of teachers who have specialist's degrees and master's degrees and they're above the state average, well, what the law currently says is that the state has been willing to step in and help out. We get school districts, quite frankly, as it tries to explain to you, that may be in Wayne, Nebraska, or in Chadron or in Omaha or in

Lincoln, that given their proximity to colleges of education and colleges that offer master's degree in education, may have an above average number of teachers on their faculty then that had the advanced degrees. So we said we're going to help you out. We also think that it's a good thing that teachers have advanced degrees and we want to encourage it. And we have school districts in the state that also encourage getting those master's degrees. So what we have said is we want to help you out a little bit. What I would propose that we do with the teacher education adjustment is that there is a multiplier of 10 percent on it. And in this next school year, that multiplier was scheduled to move to 13.75 percent. What this legislation would propose is that we simply leave it at the 10 percent mark where we are at right now, and not bring in the increase. Now what I have laid out for you here is open for discussion. We're going to have lengthy committee Exec sessions on this obviously. We need to, down the road very soon, get numbers from the state as to what these kinds of things will do for our numbers, how well it will work. And, quite candidly, what we are trying to do here is still fund an increase in aid, an overall increase in aid. But the budget can't handle the increase that is projected. And we're trying to spread this out as fairly as possible amongst school districts of all sizes, and that's why I'm confident that you will hear testimony here today that one thing or another picks on the big schools, something else picks on the little schools, and I'm open to hear all of that and we'll make adjustments accordingly. But in conclusion: We need to be fair, we need to be part of the solution, the budget solution, and most importantly, we on the Education Committee need to be in charge of this and take something to our colleagues on the floor. Thank you, Senator Howard. [LB545]

SENATOR HOWARD: Thank you, Chairman Adams. You gave us a lot to think about. Are there questions? Oh yes, go ahead. [LB545]

SENATOR SULLIVAN: I'm not sure I could even ask an intelligent question so I'll just make it in simple terms to start with, because even though you say that this isn't changing the formula, in my small mind it appears we are. So what's the rationale behind this as opposed to just reality says, yes, we've got to make some reductions? What's the rationale by doing this as opposed to just a flat cut across the board? [LB545]

SENATOR ADAMS: The rationale is this, and it's multiple in my mind. Number one, I think we have school districts, maybe all of them out there, that went through some trauma last year when we adopted a new formula, LB988, for equalization. There are significant features in there. Going away from the standard cost grouping and going to arrays, the poverty allowances, the ELL allowances. There's the averaging adjustment. There's a lot of components in there. And I would guess that most school districts that come up here and testify today or to call you on the phone, whether they like specifically what we're doing, might tell you that leave LB988 alone in its core so we can see how the darn thing works. So that's number one. Secondly, overriding my thought here is that we need to do this in an equalized fashion. We distribute aid in an equalized

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fashion. We need to continue to equalize or continue to distribute it in an equalized fashion. And so we need to find ways of reducing, staying within the framework of LB988 and staying cognizant of equalization; trying to be equalizing to everybody rather than just across the board. You have some schools that across the board may not bother them very much at all and others that would be hurt substantially by that, because of different circumstances, different resource bases, different needs that they have. [LB545]

SENATOR SULLIVAN: Okay, thank you. [LB545]

SENATOR HOWARD: I have a question for you. With this holding in place but freezing for one year this teacher education adjustment, would you anticipate, would you visualize that there would be a disproportionate effect on larger schools or smaller schools, or maybe it would be equal right across the board? [LB545]

SENATOR ADAMS: To say that things are going to be equal across the board is saying that we have 254 school districts that are all the same. That isn't going to happen. Larger schools may be, or you may hear today, are upset by the averaging adjustment, whereas you may not hear from a small school about that. You may hear more from the small schools about the cost growth factor. There's just a lot of different circumstances out there and valuation changes and a host of different things. I think this is what's a key part of what this committee has to look at. We have to run the numbers, we have to see how this is going to affect varying schools, and then we need to sit down and say, is this going to work? [LB545]

SENATOR HOWARD: Senator Haar. [LB545]

SENATOR HAAR: Thanks. I'm not sure which is simpler, this or the Natural Resources when we talk about water issues. (Laughs) [LB545]

SENATOR ADAMS: This is easier. [LB545]

SENATOR HAAR: This is easier. I think so. If we had...if we fully funded the formula, just ran the formula, how much would the increase in state aid be? [LB545]

SENATOR ADAMS: You know what? I don't have that number off the top of my head. There may be some people here from the state department that could say what it would have been. [LB545]

SENATOR HAAR: Okay. Because I...versus...and then the second half is versus what this would give us. So we can get those numbers? [LB545]

SENATOR ADAMS: Sure we can. And what we're targeting here is an increase in aid.

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You know, you can look at it from cutting down or coming up, and we're trying to focus on getting it up there at about a \$100 million increase in aid over the biennium. [LB545]

SENATOR HAAR: Okay. Thank you. [LB545]

SENATOR HOWARD: Any other questions? All right, thank you. [LB545]

SENATOR ADAMS: Thank you. [LB545]

SENATOR HOWARD: Proponents? [LB545]

MIKE DULANEY: Senator Howard, members of the committee, my name is Mike Dulaney. I'm the executive director for the Nebraska Council of School Administrators, and we are here cautiously, hopefully supporting a bill that I regard as a placeholder. We know that you have a lot of work ahead of you to fashion a bill to become the distribution piece to the appropriations bill, the budget bill that will be coming out. And it's quite a juggling act that you have before you. We know that. To address Senator Haar's question, when we started this whole thing, when we knew that the Governor was going to propose a budget with \$100 million growth for TEEOSA, what we were told is that it would otherwise grow about \$220 million. But I have a feeling that that number may have ballooned in recent weeks. I don't know that for sure. But anyway, so what we were told is that absent any of this crisis, TEEOSA would grow by \$220 million over the next two years. The Governor was going to roll that back by \$120 million, so we would see growth of \$100 million in the next two years. We are appreciative of the fact that TEEOSA, K-12 education, has this type of growth available to us. We know that agencies and other entities out there, including the university, are not enjoying this type of discussion, and so we do appreciate that. What we'd like to do is look at LB545 as a starting point and we would like to open the discussion with you. School administrators are some of the best folks to talk to about school finance, and it's a dry subject for some and others really enjoy it. But we would like to make ourselves available to you, to Senator Adams, and whatever we can do to help the discussion along. I know that there's going to be a number of other testifiers, folks that we work with, and we care about their opinion, we respect their opinion. I think this is one where the education family, so to speak, has really, really been at issue with one another because we don't know exactly how to handle it. Do we support this, and if we do, are we giving up the ship? If we don't support it are we not at the table? Any number of ways to look at it. But my organization, my legislative committee voted unanimously to support the bill with the idea that we would work with you in the coming weeks. And that concludes my testimony. [LB545]

SENATOR HOWARD: Thank you, Mike. I appreciate...we appreciate your being willing to work on this tough issue. Committee, do we have questions for Mr. Dulaney? Again, a lot to think about. Thank you. [LB545]

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MIKE DULANEY: Thank you very much. [LB545]

SENATOR HOWARD: Welcome. [LB545]

ALAN KATZBERG: Thank you. Good afternoon, Senators, members of the Education Committee. I am Alan Katzberg, A-l-a-n K-a-t-z-b-e-r-g. I'm the executive director of the Nebraska Rural Community Schools Association. My testimony is much the same as you have heard. Our organization has about 180 members of the smaller school districts across the state. And as you can imagine, the opinions vary a great deal on LB545. We have decided as a committee and as a group to support LB545 on a qualified basis, is what we described it. We are busy studying the provisions of LB545, how they affect the adjustments in LB988. We're still waiting on some numbers and want to look at numbers, and again we, too, want to offer our support. We have met many of the same members that are in NCSA and also in ASB. But we, as an organization, would like to offer our help, support. We can appreciate what you have to do in front of you. We also recognize and one of the other reasons that we decided to offer our testimony in support of LB545 is we want you to know that we recognize the economic uncertainty in Nebraska and we recognize that education will likely have to be a part of the solution to the problems you face. So again, we hope that the numbers that are generated April 1 are good numbers and our school districts can use them to plan for 2009-10. So that's what we're hopeful for. That concludes my testimony. [LB545]

SENATOR HOWARD: Thank you. Do we have any questions, committee, for Mr. Katzberg? Yes. [LB545]

SENATOR SULLIVAN: Thank you, Senator. Just curious. There will be some early data that comes from the Department of Education as far as how the tweaking of the formula is going to play out. But in your analyzing of its impact for particularly rural schools, are there any other sources of data that you use or any information that figures into your decision making? [LB545]

ALAN KATZBERG: Well, as Senator Adams pointed out, some of our districts, you know, fared fairly well under LB988; some of them took some big hits under LB988. And how it affects some of those over maybe a two-year period will be a factor that we take a look at, but we will rely heavily on the information provided by NDE. [LB545]

SENATOR HAAR: Yes. Thank you. Kind of two parts to this. One is support of reducing it from \$220 million to \$100 million--I mean, that's kind of an assumption--and the other is these particular four items. And I'm just wondering where you come down on those two parts. [LB545]

ALAN KATZBERG: First, I guess I would...the qualified support I would not want you,

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the committee, or any of the senators to interpret our support for LB545 as support for any less state aid than what we would like to have. So it's not...our testimony is not based on less state aid. Our testimony is based on, we believe that there has to be a mechanism to address the issue. And we subscribe to Senator Adams' rationale for introducing LB545. We think that is a reasonable approach to addressing the problem. We believe that this committee is the one to address the problem, and to help do that LB545 is necessary. As far as the four issues that are contained in LB545, two of those are already in place, and so, you know, we can understand why we would want to hold those. We, too, have asked the same question that I believe Senator Sullivan asked about why we do not, you know, invoke a...you know, let's fund the formula at 98 percent or 96 percent to get to the figure we number, and we've had those discussions. And I've had those discussions with members; we've had discussions with Senator Adams on that. Some of the rationale has been provided for that. But once we see the numbers that are generated by NDE, we too will likely at least...and many of our members will have suggestions as to how we might adjust those provisions to better accommodate our needs. And I would almost guess that you will be hearing from some of your superintendents and school administrators in your districts as well. I hope that answers your question. [LB545]

SENATOR HAAR: Thank you. [LB545]

SENATOR HOWARD: Any other questions? Looks good. Thank you. [LB545]

ALAN KATZBERG: Thank you. [LB545]

CRAIG KAUTZ: (Exhibits 6, 7) Senator Adams, Chair Howard, Education Committee members. My name is Craig Kautz. I am the superintendent of the Hastings Public Schools, a preK-12 school district in south-central Nebraska. [LB545]

SENATOR HOWARD: I'm sorry. Do you want to spell your name for our transcriber's benefit? [LB545]

CRAIG KAUTZ: Yes. C-r-a-i-g, last name K-a-u-t-z. I have had the privilege of serving the Hastings Public Schools in various capacities since 1990. Given my tenure with the district, I am very familiar with the needs of the students who attend the school in my district, the community of Hastings, and the area that surrounds both. I want to commend our state for being better prepared than most states for the economic recession we appear to be entering and may be in for the next several years. As a willing but perhaps not the most able, partner in helping the state to address the needs of education within our projected resources, I am here to speak in favor of a major component of LB545. That component preserves the use of state aid as a means of equalizing resources among school districts. As you well know, some of the districts in this state have access to more than adequate resources to support their schools. Such

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schools have relatively low tax levies and yet are able to spend a great deal per student on preK-12 education. But then there are districts like mine. To help you understand my district and the importance of state aid to districts like the one I serve, I'd like to share with you the document entitled "Important Facts Pertaining to the Hastings Public Schools." I will try to walk through that very quickly. As you can see, our mission is to provide all students with the essential attributes of responsible citizenship and to become successful individuals. As our student demographics point out, we have an above average challenge in attaining our mission. I am proud of the fact that our district no longer uses these demographics as an excuse for poor student performance. When you look at our students' performance, I believe you will see a performance level somewhat uncharacteristic of our demographics. While we certainly are concerned with our slightly above average dropout rate, our slightly below average graduation rate, and our percentage of students who are proficient in 11th grade science, I believe the Hastings Public Schools would qualify as an effective school. We are effective because we refuse to vary our academic and behavioral standards for our students. What we do vary is the time and resources a student might receive to be successful. We try to provide every one of our students with an equitable opportunity to become responsible citizens and successful individuals. This opportunity, however, costs money. Given this, it was not a surprise to me to find that 65 percent of our budget was spent within instruction, even when the definition of such an area would appear to be unrealistically narrow. I think that if instruction were defined realistically you would find that the Hastings Public Schools, and many schools, spend even more than 65 percent of their budgets in the area of instruction. The Hastings Public Schools are highly dependent upon the state to be an effective school district. As you can see, approximately 54 percent of our revenues come from the state. Our dependence on the state is the product of other state statutes that limited our property base to an urban area of approximately 16 square miles. The statutes are, or the particular issue that those statutes set up are addressed in the handout. Despite the assistance from the state, you can see that my district has a relatively high tax levy of \$1.29 levy for '08-09. Fourteen cents of it is being used to pay off a bond that allowed my district to replace a 1917 middle school with a brand new building. The other 10 cents that increases our overall levy to \$1.29 is for an Early Retirement Incentive Program. This is another product of state statutes in my district's general fund, as my district's general fund would not support the staffing needs of my district unless the district was constantly trying to promote the retirement of our most expensive but also our most experienced employees. While my district is scheduled to halt this retirement incentive program in 2012, given changing demographics and other district needs, I make no apologies for taxing my community at a higher rate to ensure that the general fund of the district, limited to the funds generated by a levy of \$1.05 per \$100 of property value, met the needs of my students. And now we come to state aid for next year. As you can see at the very bottom of the fact sheet, the Hastings Public Schools was scheduled to receive approximately \$1.4 million additional dollars. But this is an amount under the Model A, the Model A version of TEEOSA that everyone in this room knows cannot realistically

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be funded. However, is it true that the Hastings Public Schools will not receive the \$1.4 million called for by Model A? What if LB545 could be adjusted so that the "everyone shares the pain" concept could be distributed perhaps more equitably. On the back side of my handout, I have provided the committee with an analysis of what may occur in my district even under Model A. As you can see, the Hastings Public Schools will likely be forced to assume higher costs. [LB545]

SENATOR HOWARD: Okay, we're a bit on the red light, so if you can. [LB545]

CRAIG KAUTZ: Okay, I'm sorry. I will try to wrap up. My point basically is this. I don't mean to be self-serving or selfish or not to be a willing partner in what you have to do, but my worry is, even under Model A, a district like mine may not have enough resources to really address the real needs of my students. We can talk about adjusting needs from a Unicameral level, but the needs of my students, population growth, and other things like that are going to be there in the future. I apologize for taking more time than allowed. I do have more written comments here that if the pages would hand out would have my complete statements. And I would answer questions if there are any. [LB545]

SENATOR HOWARD: Thank you. Do we have questions for Mr. Kautz? Yes. I saw that questioning look across your face. [LB545]

SENATOR GIESE: Thank you, Senator Howard. Mr. Kautz, then you are a proponent of the plan? [LB545]

CRAIG KAUTZ: We are a proponent, but the two issues that we are concerned about and would ask that the Unicameral look at is, one, is a provision of distributing the state income tax. We believe that while that is probably legitimately being kept at the same level, how you distribute and who you distribute to is important, because you may have districts that are receiving money for various reasons that, quite frankly, have a levy that's far lower than even \$1 per 100. I would make the argument that those districts can afford to perhaps meet their needs without state assistance. The other thing that concerns us is the change from LB988 in the different provisions that Senator Adams talked to as to the percentage distribution of the averaging adjustments, if you will. By just simply putting everyone at 50 percent, you may not be recognizing a district like mine that maybe has higher needs than another district. [LB545]

SENATOR GIESE: Thank you. [LB545]

SENATOR HOWARD: Any other questions? I would like to ask you if you have any concerns about your, both your higher dropout rate and your lower graduation rate? Are you doing...what are you doing to address that? [LB545]

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CRAIG KAUTZ: We absolutely do. In fact, we would like to reorganize my senior high staff so that we could have two staff members who would be able to work with specific kids who have difficulty in high school. Unfortunately, under the legislation that I'm looking at now, it's likely that those two staff members would be reduced, because I'm going to need to be adding staff at my elementary level because of the growing population that we have. So a plan that we had to do something about it, may be, in fact, impossible for us to attain unless we're willing to have elementary class sizes of 30, or more, to 1, and we're not willing to do that. [LB545]

SENATOR HOWARD: You don't want to see...you don't want to see those figures get worse, I'm sure. Thank you. [LB545]

MARK SHEPARD: (Exhibit 8) Senator Howard, members of the Education Committee and Senator Adams, my name is Mark Shepard. The first name is spelled M-a-r-k, the last name S-h-e-p-a-r-d. I am the associate superintendent for business affairs for Lincoln Public Schools. Recognizing that the Lincoln Public School District believes that any limitation of fully funding TEEOSA will affect our ability to meet our students' needs as identified in the formula, we strongly support two tenets of LB545: the first being maintaining a needs-based formula. I think Senator Adams did an excellent job of laying that out in his opening statement. I think that formula needs to recognize, as LB988 recognizes, the differences in school districts. The second being, having the Education Committee, all of you, work with this bill and work with this legislation as opposed to another committee within the Legislature. That's again a very important piece to LB545, and we applaud you for taking this on. And I think it's going to be real important that any modifications that are made are made here at the committee prior to moving to the full Legislature for consideration. While we don't know the exact numbers at this time, we know the passage of LB545 as introduced will have a negative impact on Lincoln Public Schools. We applaud the efforts of Senator Adams and the Education Committee to be proactive in dealing with the proposed reduction in state aid to schools. The Lincoln Public Schools Board of Education has had a longstanding position of supporting the concept of equalization and funding K-12 education. LB545 is a bill that will reduce the state's obligation regarding state aid for schools while maintaining the basic needs-based formula that many legislators fought hard to create. Lincoln Public Schools is a growing school district--one of the few in the state. We grew last year by 600 students. We anticipate growing this year by 600 students. We really feel that as we look at the aid formula, and LB988 currently has a component for growth, that that's an important piece that needs to be maintained. I think there's been a temptation to create a formula that is more readily understood. Sometimes people say, can't this just be easier? I think the reality is you could create a formula that would be more easily understood, maybe easier. But the other reality is I'm not sure that it would meet the needs and create the equity that's necessary to fund schools fairly across the state. We understand that there are times when resources are limited. We currently are in those times. But I believe we'd be remiss in not bringing to your attention the reality that the

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needs-based formula, in its current form, looks at the real cost to educate students and breaks down the characteristics that make every school district unique. By artificially reducing the growth in needs, the state obligation is reduced. The local district requirements for educating the students for these unique characteristics, however, are not reduced. In closing, over the years the education community, preK-12 and higher education, have been willing to help the state through financially difficult times. We would encourage the Legislature, through the leadership of Senator Adams and the Education Committee, that if further economic indicators point toward a greater shortfall, consider utilizing a portion of the state's cash reserve as opposed to further tapping into TEEOSA. I apologize for going over. I thank you for your time and would answer any questions you would have. [LB545]

SENATOR HOWARD: Thank you, Mr. Shepard. Do we have questions, committee? Yes, sir. [LB545]

SENATOR ASHFORD: Senator Howard. Do you...so you would have some sort of an increase, but it would not be the increase in LB988, is that what you're saying? [LB545]

MARK SHEPARD: What we are anticipating right now is that we would have an increase. It would not be the increase that would be under the Model A, LB988. [LB545]

SENATOR ASHFORD: What was the increase under the Model A, do you? [LB545]

MARK SHEPARD: Our increase was about \$16 million. [LB545]

SENATOR ASHFORD: Okay. So it would be some percentage of that? [LB545]

MARK SHEPARD: It would be substantially less, I can tell you. [LB545]

SENATOR ASHFORD: Do you know how much substantially less? [LB545]

MARK SHEPARD: I don't know exactly. I can tell you that the real factor that's driving the decrease for us is... [LB545]

SENATOR ASHFORD: Is growth. [LB545]

MARK SHEPARD: No. The real factor for us is the averaging adjustment. Growth is a portion of it. Averaging adjustment, the averaging adjustment would be another portion of it. [LB545]

SENATOR ASHFORD: Is it 50 percent less or...? [LB545]

MARK SHEPARD: Right now, our projection is it would be slightly more than 50 percent

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less. [LB545]

SENATOR ASHFORD: Okay, thanks. [LB545]

SENATOR HOWARD: Any other questions? All right, looks good. Thank you. [LB545]

MARK SHEPARD: Thank you. [LB545]

SENATOR HOWARD: Welcome. [LB545]

CURT BROMM: Good afternoon. Thank you, Senator Howard, members of the Education Committee. For the record, my name is Curt Bromm, C-u-r-t B-r-o-m-m. And I appear before you today as a lobbyist for the Lexington Public Schools. And the business manager, Brian Bennett, was intending to testify, but he got called away to get back to Lexington and had to leave a few minutes ago. So having prepared for the last two or three days for this, I'll try to stay within my time constraints, Senator Howard. [LB545]

SENATOR HOWARD: Well, now we've got you both at the red and the green. [LB545]

CURT BROMM: I know. (Laughter) In all sincerity, Lexington Public Schools must convey to you and to Senator Adams, the Chair of the committee, that they greatly appreciate the efforts of this committee and the leadership in wanting to take this issue of how we deal with the fiscal times that we're in and stay in charge of the impact as much as you can in the legislative arena with how that is, how adjustments are made that affect schools and kids. Lexington Public Schools is a very unique school. One of the more unique, I think, in this state, in that they have a very high percentage of poverty and limited English-speaking kids, minority kids, and they have done, I think, an excellent job of meeting the challenges that go with that. They appreciate what was done last year. They are experiencing some benefits from that, this year, with the additional allowance for instructional time. That's a great benefit to them. In the package that is being presented in LB545, the one area that they are concerned about and would like for you to take a hard look at and would be willing to work with the committee, and their business manager would work with other business managers or you in any fashion, is the change in the averaging adjustment. This will have a long-term effect on them. As I understand it, the averaging adjustment is intended to help school districts that are low-spending and high-taxing, and they are that. They are a low-spending, high-taxing district. So that adjustment will particularly have some difficulty for them down the line. They feel and they believe the philosophy of the Legislature has been, and of this committee particularly, its goal is equalization. Let's provide assistance where it is most needed in order to give every child in this state a quality education to the extent possible. They think the particular focus on the averaging adjustment flies in the face of that to some extent because of the way it impacts the high-taxing,

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low-spending district. And with that, Senator Howard, I will conclude. And if there are any technical questions, I'll get back to you on that. [LB545]

SENATOR HOWARD: Thank you, Senator. We'll try to make them less than technical. Do we have questions? Yes. [LB545]

SENATOR GIESE: Thank you. Just on Senator Ashford's question before, how much does this affect your school district on this formula versus...? [LB545]

CURT BROMM: I cannot answer that, Senator, but I can provide a response after checking with the business manager. I think we'll know a little bit more when we see a few more figures or another printout. But they just know that the averaging adjustment change will be significant, next year, in their funding. [LB545]

SENATOR GIESE: Thank you. [LB545]

SENATOR HOWARD: Yes, Senator Ashford. [LB545]

SENATOR ASHFORD: Just to follow up on that. I believe this, for '09-10, in LB988 there was a significant increase in state aid to Lexington Public Schools. [LB545]

CURT BROMM: That is correct. [LB545]

SENATOR ASHFORD: And that resulted primarily from...well, many factors. But I believe...and I was out there this summer, but I believe 84 percent of the--maybe that figure is wrong but that sticks in my head--84 percent of the grade school students are free and reduced lunch? [LB545]

CURT BROMM: That is correct. That's, I know it's in the 80s. It's close to 85. And I think the increase in aid certainly had a lot to do with the good instructional time allowance. [LB545]

SENATOR ASHFORD: Right. Thank you. [LB545]

CURT BROMM: You bet. Thank you very much. [LB545]

SENATOR HOWARD: All right. Looks good. Thank you for minding the time. Do we have any other supporters? Proponents? Opponents? [LB545]

JESS WOLF: (Exhibits 9, 10) Thank you, Senator Howard and members of the committee. My name is Jess Wolf, J-e-s-s W-o-l-f. I'm the president of the Nebraska State Education Association. The NSEA represents 28,000 public school employees who are dedicated to providing the best public education we can in the state of

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Nebraska. The NSEA is opposed to TEEOSA changes proposed in LB545. Over the last few years, the Education Committee and the full Legislature made needed changes in the TEEOSA formula to take care of school districts' needs for poor children, English language learners, beneficial small class sizes in preK-3, summer school opportunities, and financially encouraging districts to hire highly educated teachers with master's degrees, along with other policy decisions that would lead to quality schools for every child regardless of where they live or how much money their parents make. As you know, K-12 education is a constitutional obligation of the state, and underfunding education puts Nebraska children at a disadvantage with the rest of the nation and the world in competing for jobs. We cannot increase the college-going rate when our kids aren't prepared. And we believe these cuts would cause that. And attracting top-notch teachers becomes increasingly difficult each year Nebraska doesn't fund the true needs of our schools as outlined in the TEEOSA formula. The TEEOSA formula was your formula. I mean it was your needs formula, okay? Please review the state aid information I have passed out to you. Promised funding for K-12 education was cut by \$61 million last year. It was cut by \$30 million the year before that and \$28 million and \$27 million and \$25 million and \$81 million in the years before that. And frankly, if the Legislature would have been funding the formula needs from the beginning, we would not see the spikes that we're seeing in more recent times. We need to let the formula work. We should not come in here, year in and year out, and cut needed funding for educating our children. We understand there is uncertainty in the economy; however, we are certain that regardless of the economy we must educate our students. Investing in education is the best way to invest in our communities today and to invest in our future. NSEA's Larry Scherer is here also to present amendments to LB545 for your consideration and will testify to the details of the bill. I would make these final three requests of you. Keep in mind that the needs formula shows state aid should increase by \$101 million for 2009-10, and while we appreciate the Governor's support for education, his budget proposal falls far short of that as it indicates only a \$35 million increase. Please consider, (2) relaxing the budget lid restrictions in LB545. Larry will provide you with our proposed amendment for that. And please vote to adopt an amendment that would require any cuts that be made are made furthest from the classroom. Thank you, Senator Howard and members of the committee. I'll answer questions. [LB545]

SENATOR HOWARD: Thank you. You didn't even hit the red. [LB545]

JESS WOLF: I've been watching how you've been clamping down on that. [LB545]

SENATOR HOWARD: It's pretty strict then, like a teacher. Yes. Do we have questions from the committee? [LB545]

SENATOR SULLIVAN: Thank you, Senator. Your last comment about the three areas that you'd recommend for cutting--the last one cuts furthest away from the classroom.

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Could you elaborate on that a little bit? [LB545]

JESS WOLF: I think some other people made some references to how much is spent in the classroom. There have been figures thrown around from 65 to 75 percent of the actual dollars are spent in the classroom. We would ask that if you're going to make cuts, that those percentages not be cut. Okay. [LB545]

SENATOR ASHFORD: Just for the record, I mean just in the last, since 1989-90 in the biennium, there have been, this is, there have been four times when state aid increased more than 15 percent over the biennium, and I think that the last two years was one of those bienniums. [LB545]

JESS WOLF: Larry could answer that question better than I can, but that's probably...I don't doubt your figures. [LB545]

SENATOR ASHFORD: I mean, it's not a cut. We adjusted the formula, I think, and we adjusted formula, I think, with the support of the NSEA at the time, but I understand your point going forward. At least in the past, I'm not sure cut is the right terminology. I think we adjusted the formula to reallocate dollars to where we felt they ought to go. [LB545]

JESS WOLF: I believe that is correct, yes. [LB545]

SENATOR ASHFORD: Thanks. [LB545]

SENATOR HOWARD: Any other questions? Thank you. [LB545]

JESS WOLF: I'll give you a copy of my testimony, too. Thanks. [LB545]

LARRY SCHERER: (Exhibits 11, 12) Good afternoon, Senator Howard, members of the Education Committee. For the record, my name is Larry Scherer, S-c-h-e-r-e-r, with NSEA. And three minutes goes very quickly for me so I hesitated to say anything that is not in prepared comments, but you'll have those. When we did the original study that created LB1059, the consultant told us that school finance was like a Russian novel. It's long, it's boring, and there's a cast of characters, and in the end everybody gets killed. (Laughter) And Senator Adams, that's not quite true. Some of us are still alive, and, you know, do thank you for introducing it. It is the Education Committee responsibility to bring these bills forward. And although we are in opposition, we commit to work with the committee on any proposals that they come up with. As mentioned, we understand that economic times are tough and there is a need to take a look at the growth rate. We're particularly concerned--and I'll testify about two sections of the bill. The teacher education adjustment, again we thank you for that change last year, and not...you know, understand that the increase may need to be delayed a year. It may be in that time we can work on the mechanics of that, as well. The deepest concern is, as Mr. Wolf

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mentioned, is the double impact of Section 1 of the bill. It cuts both the increase in aid by the cost growth reductions, and it also cuts the budget limitation on schools. And the proposed amendment that you have would take another approach that would just limit the bill to decreases in the aid part of that, in the increased needs. A couple of the rationales for opposing particularly the cost growth change is that predictability and stability in the formula is an important thing. And as we deal with the changes of first a proposed certification and then a change in certification, it makes it difficult for schools. The tendency when there's uncertainty is to be cautious and conservative and put more money in reserves as opposed to new programs or increasing teachers' salaries. So that's a side product of some of the changes we've had over the last number of years. Now reducing the budget authority is one of the things that will make it difficult to bargain for salaries. And in the future, I'm going to skip down to number seven, because I think that is really a key. There's a reason that there's a proposed increase in the state aid of 12 percent roughly. And I guess what we're asking the committee is to take a specific look at what is causing those increases, and if the funding is cut by the amount proposed, and it may need to be reduced by some amount, what happens to these programs? Do they become unfunded mandates? And for our selfish position of trying to increase money available for teachers' salaries, if the money is not there for programs that are required, for example the poverty program, the ELL, the school districts are going to have to look at staffing and salaries in other areas, in general education. This is another example, I think, of the 45 percent to 40 percent, why it happens over time. It's an incremental sort of thing. And so we're asking you to take a look at this amendment that would break the link between the lid and the increase in the amount of state aid, and to do it at a somewhat lesser amount than the amount that's proposed by this bill. [LB545]

SENATOR HOWARD: Mr. Scherer, would you like more time to explain the amendment? Would you like me to ask you what's in the amendment? [LB545]

LARRY SCHERER: Sure. [LB545]

SENATOR HOWARD: All right. Would you like more time to explain the amendment since you are on the red light? [LB545]

LARRY SCHERER: Yeah, the amendment would amend the cost growth factor computation which determines how much need has increased each year. It's based on two-year-old annual financial report data escalated forward and inflated forward for two years. And this would simply say, rather than go to the cap that applies to lids for schools--make that 1 percent while the other political subdivisions remain at 2.5--go into the cost growth factor and look at changing that, reducing that amount. What happens when schools are allowed to spend more and the state aid doesn't go up as much? Yes, there probably will be some pressure on the property tax, and so it's not an easy solution. But it's really for our association, it's the double whammy of the less aid and

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the lid that will really be difficult. So thank you for the question. [LB545]

SENATOR HOWARD: Thank you. Do we have questions for Mr. Scherer? Yes. [LB545]

SENATOR HAAR: Again, I'm not understanding. Explain the lid to me. [LB545]

LARRY SCHERER: There are two lids. One is there is a political subdivision lid that applies to all political subdivisions, of 2.5 percent. That is a lid that's also used for schools. Last year, in LB988, there was a change that said that the lid on your budget is the greater of essentially 2.5 percent times your last year's budget or 120 percent of needs. So those are the lids that apply to schools. This bill affects both of them. It affects the needs because it rolls back the cost growth of needs from what is scheduled to be, to a percentage and a half less. And it also cuts back that lid that I think it applied to maybe 50 out of 250 schools. They tend to be smaller school districts and very rural that have the budget lid. It's a little complicated, but both of the lids are influenced by this bill. It takes a lot longer to answer that question. [LB545]

SENATOR HAAR: Okay. Well, we'll make an appointment. [LB545]

SENATOR HOWARD: Are there other questions? Looks like you've covered it, for the moment. Next opponent. Do we have any other opponents? Neutral? Is anyone wanting to address this, to speak neutral? Welcome, Mr. Pool. [LB545]

DENNIS POOL: (Exhibit 13) Senator Adams, Senator Howard, committee members, my name is Dennis Pool, D-e-n-n-i-s P-o-o-l, and I'm the assistant superintendent and chief financial officer for the Omaha Public Schools. I have a handout. I'm going to try to testify on this in a way that will kind of...I'm going to focus on the first page. There's some other pages there. Some of the things at a high level that we believe are some concerns. In my years of working with this act, it seems to me that we've come almost full circle. When we started, we had a...we calculated the expenditures of the schools, we calculated needs. And then once we had needs, we had a local effort rate that we multiplied times the property value as a way to fix the appropriation. And over the past few years, we've worked to increase needs. We've worked to change all of these things, but we still come back to the facts that we have to fix this to a certain number. And I think LB545 is making an attempt to do that and so I'd like to talk just a little bit about that. Last year, TEEOSA was cut from its original February 1 certification by \$62 million. We're saying that we're going to go back...we're going to add back in \$100 million, but I want to point out one thing, is that it doesn't mean that state aid is going to, in the biennium, there's going to be \$100 million additional state dollars. States, the schools will have in that biennium, a \$35 million increase in the first year, and then in the next year you'll have to put another \$35 million in to sustain the increase that was created in year one. And so aid will only go up another \$30 million. So I just want you to understand that that is...will almost just put us back to where we really were, in two

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years, where we were cut this past year. And those cuts came in from LB1024 and LB641, and when schools had to cut that back it was difficult. One of the other things I guess I would like to say is that we have to be careful in this averaging adjustment because not only are we not allowing low-spending schools to move up, but we're going to actually be in trouble because these schools are our schools that are the lowest-spending school districts. And I have some slides in there that I'd like to have you look at when you get a chance. And then in the last piece of this is our school district will take 27 percent of the cuts that are proposed by this legislation. And of those cuts, 75 percent of them come from this averaging adjustment. And I also wanted to counsel you on the fact that when we put poverty and LEP plans in a formula and we fund that and we keep those sustained and we reduce the amount of aid that we can grow in the rest of the formula, the net effect of that piece is that school districts will choose to spend money on their core services. And that will mean that they will have a difficult time of facing the required accountability for the poverty and the LEP spending at 117.65 percent. And so I want you to understand that that will be a concern. There are certainly some other pages in here that I'd be glad to talk to you about as we go forward. Thank you. [LB545]

SENATOR HOWARD: Thank you. Do we have questions for Mr. Pool? Yes. [LB545]

SENATOR GIESE: Thank you, Senator Howard. Mr. Pool, you said that 27 percent of the cuts will be...you will receive, I guess, 27 percent of the cuts. How much of the funding is your...what is your percentage of the funding that you get? [LB545]

DENNIS POOL: Well, that's a good question. If you will look on slide 6, OPS accounts for about 16 percent of the students statewide; 16 percent of the statewide formula need. And in these reductions in LB545, about 27 percent of that will be...now that comes from...and remember, we had the...last year, we had a February 1 certification. And when we passed LB988, the provisions were that they would add the additional money back in plus whatever the growth would be for the '09-10 school year. When you look at the growth from where it was projected to where it would have been certified February 1, that growth in the numbers that the Department of Education did, showed only about a 4 percent increase over that. So to say that it's growing out of control certainly isn't the case. But we have about 16 percent of the students and about 16 percent of the formula need in the formula. If you look at the reductions, the averaging adjustment from the February, the numbers that were not certified, but just to get to this preliminary number that we're looking at, the adjustment would cost about \$14 million for the averaging adjustment and the basic funding decrease would be another \$4.3 million. [LB545]

SENATOR GIESE: So then let me ask you this, another broad question. So the bottom line is, faced with these potential, I'm not going to call them cuts--I'll call them not funded--what will suffer the most in your opinion, in your district? [LB545]

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DENNIS POOL: And, Senator, I would like to just indicate that in the preliminary calculations that we've done, and again they're not the Department of Education numbers, it looks like we may actually have a decrease in aid from this year of about \$7 million in LB545. So there would be a cut in our district's aid. Now again, those are preliminary and those are not the department's numbers, but those are numbers that we calculated. [LB545]

SENATOR GIESE: So then I guess my question is what would suffer? How are you going to work out... [LB545]

DENNIS POOL: Well, that...and I think the testifiers prior to me, those from the NSEA as well, expressed the concerns about where we would go with this. We certainly don't feel like we could go in and shortchange our classrooms. So the first thing we would have to do is to make sure that we sustained the classroom efforts that we did. We'd have to look at class sizes. We...in LB988 and in previous legislation, there was an effort, a direct effort to reduce class sizes. Well, one way you can reduce the number of teachers required is simply to increase the class sizes in your classrooms. So that's an effort that could be made as well. We have, in Omaha Public Schools...you know, on an annual basis we probably replace about 300 to 350 teachers. Just people who retire, people who move to different jobs, those types of activities. So if we simply took teachers that we have and filled those positions by increasing class sizes, doing those kinds of things, we might not have to RIF, but it would certainly be a reduction in the effort and the programs and services that we'd have for our students. And that's how we would make the cuts. [LB545]

SENATOR GIESE: Thank you. [LB545]

SENATOR HOWARD: If I could ask you to follow up on the Senator's question. So you couldn't absorb these costs through the... [LB545]

DENNIS POOL: No, Senator Howard. [LB545]

SENATOR HOWARD: Well, when you brought up those numbers, it sounded hopeful. [LB545]

DENNIS POOL: Senator Howard, here's the broad perspective of that is that if what we're talking with Douglas and then potentially it will be with Sarpy County assessors, property values are flat. There will be no increases. And so if property values are flat and you're at the \$1.05 property tax levy cap--we are--there's no room to grow your levy up any higher. So all you get from property tax revenue increases are the dollars that are generated through valuation increases. And I know taxpayers don't like those valuation increases, but they are reflective of the current law. But when we don't have

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that...so let's say property revenues are flat, and then the other major component of our funding is state aid and it goes down, or if it stays flat, that's a zero increase. Fuel increases, health insurance increases, negotiated agreement increases. So that's going to be a challenge that not just Omaha Public Schools is going to face; I think we're all going to face. [LB545]

SENATOR HOWARD: I would agree with you on that. I'd have to disagree with you though on the property tax increases. Mine just went up by \$1,000 so I think my neighborhood is not real happy about what's going on. [LB545]

DENNIS POOL: But it was a valuation increase though. [LB545]

SENATOR HOWARD: Well, it will be...however you look at it, it's an increase for the person that pays the bill. [LB545]

DENNIS POOL: Thank you for the taxpayer perspective. (Laugh) [LB545]

SENATOR HOWARD: You're welcome. Thank you. Do we have any other questions? Looks like you're good. Oh, I am sorry, go ahead. [LB545]

SENATOR HAAR: So have you thought of selling your corporate jet? (Laughter) That's another... [LB545]

DENNIS POOL: Well, we have cancelled most of our trips. [LB545]

SENATOR HAAR: No big parties. You know, I have never seen a model, a mathematical model that works perfectly, and so we all wrestle with this word "cut" because we're adjusting a formula, you know, to reflect how much aid is available. And that's the crux of it. How much aid are we going to allow? Obviously, the formula has to be adjusted up or down or whatever. I mean, isn't that really the crux, is what's the final line? How much...because the formula isn't perfect. [LB545]

DENNIS POOL: Senator Haar, I had a conversation with a taxpayer just this last Friday afternoon about that very topic. And I indicated to the individual that really there's only two things that can be done here. He wanted to know how he could have his property taxes reduced. And I said that mathematically and the way the schools are currently governed by statutes: two ways. One, state aid could increase so significantly that we would have then, with some type of spending limitation, an ability then to lower the property tax requirement, and thus the property tax rate would go down. That's one way that would do it. And the other way was I told him to cut programs and services to children. And that taxpayer and one of a very few that call me sometimes, this individual says, no, you know, I don't want to do that. And I thought, well, thank you. And so he indicated that he would be talking to his senator. But that's the unusual, that's not the

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norm. Most people say, well, just cut the services, cut the programs, don't do what you're doing. And it's a very difficult challenge that we face in trying to meet the instructional and the accountability requirements for No Child Left Behind and meet those requirements, improve the achievement of all children, decrease the achievement gap, make sure we don't have as many dropouts, put programs and services in place to help the families help them help their children stay in school. It just costs money. And I wish we could say that if we could just get more parents involved, we could correct this problem. Well, if we could get more parents involved, we would do it in a minute. We do all kinds of things to get our parents involved and to keep them involved. But many parents are working two jobs. They can't get to the schoolhouse. So we face lots of challenges, and it's a growing issue across the state. It isn't just necessarily in Omaha. [LB545]

SENATOR HAAR: You know, I sort of made a commitment to myself to try and understand the TEEOSA formula as much as possible, but no matter what year we're in, we're going to have to adjust it some way. It's not a perfect formula. I can't imagine that it absolutely pinpoints need or resources or any of those things. [LB545]

DENNIS POOL: And I commend you for that. I don't...a lot of people have said that you can't understand it, it's too complex, all those things. And I think it is absolutely understandable if you want to learn it. And if you want to commit to being a student of it, it can be understood. And I know that Senator Adams is working hard on that. The other members on the Education Committee have worked hard to try to understand it better, and it is understandable. And I think we need to know enough about it that we can make informed decisions when it comes to the mathematical piece of it. [LB545]

SENATOR HAAR: Yeah, because you would like to be able to make predictions based on it and so on. Okay. [LB545]

SENATOR ASHFORD: Senator Howard. [LB545]

SENATOR HOWARD: Yes, Senator Ashford. [LB545]

SENATOR ASHFORD: Just so I get some understanding of the needs here. Last year, there was a shift to OPS of around \$18 million in LB988 out of the \$21 million that shifted into the urban area. Is that correct? How many additional dollars did you have in '08-09 than you had in '07-08? The state aid? [LB545]

DENNIS POOL: Well, again I will say the \$18 million figure that you said is correct. On an average year with the formula growing the way it grows, OPS would have gotten an additional \$12 million. [LB545]

SENATOR ASHFORD: Under...had it been allowed to grow the way it was originally

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constituted? [LB545]

DENNIS POOL: It would have been \$21 million. [LB545]

SENATOR ASHFORD: I got you. But there was a shift into the learning community of around \$21 million, from other sources. I mean, it had to come from somewhere. [LB545]

DENNIS POOL: Well, the shift was created by the formula need changes that were provided in LB988. [LB545]

SENATOR ASHFORD: Right. And a lot of that was the, some of the needs that you talked about. [LB545]

DENNIS POOL: Recognition of the poverty. The way the poverty allowance is calculated. The way that the LEP allowance is calculated. For the first time, in LB988, actually there was a projection of growth of those, which was reflective of what was happening in our schools that are being impacted by poverty and LEP. [LB545]

SENATOR ASHFORD: Right. And like Lexington, it's the aid adjustment that becomes an issue because that is not predictable. It was not predictable when you looked at...but when you look out...to Senator Haar's point, when you looked out, you...your labor contracts, are they annual now or two years? How do you...what are your labor contracts? [LB545]

DENNIS POOL: They vary, Senator, from... [LB545]

SENATOR ASHFORD: Currently. [LB545]

DENNIS POOL: Right now, we have no bargaining agreement with the Omaha Education Association, our teachers, for the '09-10 year. That process has...I have no idea...in building a budget as a finance administrator, I have no idea what that increase is going to be. [LB545]

SENATOR ASHFORD: What was last...what's the current? [LB545]

DENNIS POOL: It runs right at 4 percent. [LB545]

SENATOR ASHFORD: Okay, and your insurance benefits for teachers? [LB545]

DENNIS POOL: Included in that. Four and a half percent if you would include the insurance benefits. [LB545]

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SENATOR ASHFORD: And generally what is the insurance benefit at OPS for teachers? For a family? [LB545]

DENNIS POOL: Our benefit package, we calculated it at about 33 percent of salaries. So whatever salaries are, add another 33 percent to it; that's what it cost us. [LB545]

SENATOR ASHFORD: And what sort of healthcare coverage do teachers at OPS receive? [LB545]

DENNIS POOL: It's through the Educators Health Alliance. It's sponsored by that group. [LB545]

SENATOR ASHFORD: So it's common? [LB545]

DENNIS POOL: It's the same as other school districts have across the state. [LB545]

SENATOR ASHFORD: Generally, what is that? What sort of...just tell me. I mean, what do they get, what sort of health insurance benefits do teachers get at OPS? What are their benefits? [LB545]

DENNIS POOL: Well, there's...depending upon what choose. By their union. For the deductible, Senator, of what kind of benefits... [LB545]

SENATOR ASHFORD: Okay, just give me an example. What's the deductible? [LB545]

DENNIS POOL: Right now, we have \$100 deductible. We're going to try to move that higher with our educators. [LB545]

SENATOR ASHFORD: A \$100 deductible for a single coverage? [LB545]

DENNIS POOL: For a single coverage, um-hum. [LB545]

SENATOR ASHFORD: And everything over that is covered? [LB545]

DENNIS POOL: Well, everything is covered within the plan process. There's a...once you make the deductible... [LB545]

SENATOR ASHFORD: Is it good insurance? [LB545]

DENNIS POOL: Certainly, it's good insurance. (Laugh) Certainly, it's good insurance. [LB545]

SENATOR ASHFORD: Okay. That's all I'm trying to get at, I mean, it's not...oh, I'm not

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trying to, this is not a catch-you question. All I'm trying to say is that when we talk about...and I grant you, taking a cut in aid is not a good thing, and I'll give you that point. But I think the problem, when we look statewide, we're also looking at a...clearly we're looking at situations where many of the states around us are cutting, across the board, state aid. We aren't. We're putting \$30 million, \$35 million, and \$30 million into state aid basically. And you're right, it doesn't...all it basically does is go back a year and makes up that \$61 million. I know what you're saying, but in reality, compared to other...your teachers are receiving raises. They are receiving benefits. You don't know what it's going to be like next year, but at least we're not faced with a situation where we are making draconian cuts that one would say in state aid as is the case in other states. [LB545]

DENNIS POOL: That's correct. However, but we cannot reduce those increases if they're fixed increases. The only way to do that is to cut services and cut positions. [LB545]

SENATOR ASHFORD: Hey, I'm not minimizing the issues that you have to deal with. I'm just trying to suggest that it's not good, but it's, relative to other states, it's not bad, I guess. Okay. That's all I have. [LB545]

SENATOR SULLIVAN: Thank you, Senator Howard. I believe you said that your school district, OPS, will take quite an inordinate hit in this tweaking, and did you also say that small, rural community schools are going to take quite a hit as well? [LB545]

DENNIS POOL: With the proposal as it's drafted, all of the schools, the teacher...they might be impacted by the teacher adjustment. They will not get that increase. If they're a nonequalized district, they will not get their increase in income tax. And then you get to the other two components, as Senator Adams explained. The overall averaging of increases, everyone will be impacted by that amount because that just simply reduces aid for all of the schools across the state. But if you'll look on that page...we tried to make it graphic so you could see the averaging adjustment. It's actually on page 5. That what the averaging adjustment in the far right-hand column there is trying to do is to say underspending schools--and I think some of our previous testifiers...low-spending school districts who are taxing themselves inordinately high or as high as they can--I guess I shouldn't say inordinately high--as high as they can to that \$1.05, the current provision is that they move them up to that line. It's the average. Now you'll you notice they don't move...the high-spending districts, they don't move them down. But they do move the lower-spending districts up so we can try to at least get to that average. And what this will do, the averaging adjustment, is curtail that growth. But it curtails it in such a way that it's flat, and so a school district that's taxing themselves high and spending lower than average won't get that 90 percent. They'll get the 50 percent. So our school district is impacted by that. And simply because of the number of students and the size of our district, it is the biggest part of it. Because not all school districts will be impacted

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by that cut. And that's where I think Senator Adams' challenge and your challenge will be is to find a place to do that, as Senator Adams said, to remain true to the concept of equalization that was put into TEEOSA. [LB545]

SENATOR HOWARD: Any other questions? Yes, Senator Haar. [LB545]

SENATOR HAAR: So how would you react to the amendment being proposed in making reductions necessary to offset reductions of aid or limited budget authority, school districts shall first consider reductions that do not impact classroom instruction and teachers' salaries. How would you react to that? [LB545]

DENNIS POOL: Well, that is certainly an opportunity to have a discussion around that. I would react to it as that the kinds of things that we would do would, if we had to make reductions, would be those kinds of things. They would be those kinds of things. I mean, we would look at...we have several initiatives out to try to extend our learning time with children. We think that having teachers be with children longer in the day and have a longer school year are good things. And those are...we've got plans to put those kind of things in, because it's recognized in the current LB988 formula changes. But if we have...I mean, those are costs above and beyond what we do because you can't have a teacher contract be extended and work a longer teacher contract day without expecting that individual to say, oh, if I'm going to be working more days, I should be getting some remuneration for that. [LB545]

SENATOR HAAR: If you had your druthers and let's say it's a given, although it's not a given, that Senator Adams' thing of keeping the increase to \$100 million over the two years, are there other items that you, in the formula, that you would change instead of the four he suggested? [LB545]

DENNIS POOL: I think there are several ways you could look at things. And I don't know that I have a specific one that I would recommend. Things that were done previously by this committee was to have, when they cut state aid they gave the school districts an opportunity, locally, to provide additional property taxes. I don't think that's going to be very palatable this time and day. But we could also look at our reserves as we look across the state and where we're levying and how high we're levying and what kind of an effort, a local effort, our school districts are making. If so many of us are taxing ourselves at that \$1.05 levy and others are taxing themselves significantly lower than that, it seems to me--and especially if they're sitting on cash reserves that could be used during this time. I mean, we have a cash reserve to get us through a difficult time. Other school districts do, as well. So how you utilize that reserve also could be a point. But once you spend a cash reserve down...it's like taking your savings account, and once you spend it, it's gone. And so the only way to get it back is to tax or to have additional funds that will come into that to build that back up. So I think there's some ways that we can look at some things that might get us through on a short-term basis. I

don't say that they're long-term solutions, but I think things like that could be done. The whole overall formula, I think the LB988 changes, all in all, were very good. I really do commend the group for what they were. I think they recognized a lot of the issues that we had in creating additional need for schools that needed it and incentives for schools to move towards things that the state believes are good instructional things. But what we did is create, instead of having one big target called formula needs, we created within formula needs a lot of little targets and you are seeing people throwing darts at these different targets as we go forward. And that's going to be the challenge that you will have, that we'll have is, if you're going to work with Senator Adams on this, is which of those targets can you throw a dart at and how big a dart are you going to throw at it and what then will be the result of that, so that at least it's, again, I think back, true to that goal of equalization. So we'll be glad to work with you, and I know the other districts and financial minds will also have ideas and suggestions as well. [LB545]

SENATOR HAAR: Yeah, because as we look at this stuff it'd be good to see what some other possibilities are. [LB545]

DENNIS POOL: And there are. [LB545]

SENATOR HAAR: Um-hum. Thank you. [LB545]

SENATOR HOWARD: Any other questions? Yes, Senator Cornett. [LB545]

SENATOR CORNETT: I was just sharing with Senator Giese what some of my concerns about this are, is over the last few years we've recognized that OPS has special problems in the state compared to other schools in regards to dropout rates and special needs for English language learners. And we shook up the whole metro area for four years, or three years, with the learning community and have spent millions of dollars on lawsuits and millions of dollars enacting a learning community, and now we're talking about not funding it to achieve the goals that we set out. And I mean, you're talking about cutting teachers and increasing classroom sizes. Do you think with these reductions we'll be able to achieve the goals that this Legislature voted for under the learning community principle? [LB545]

DENNIS POOL: I think that the Learning Community Coordinating Council has some resources to do some significant pieces in and of themselves. [LB545]

SENATOR CORNETT: Yes, they do. I'm talking about how we fund them. [LB545]

DENNIS POOL: The school districts within the learning community are all going to face those equal challenges. And as we work through whatever the learning community's diversity plan is, depending upon what that is, how much transportation will be, I do think we can meet the goals. It's going to be a challenge. [LB545]

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SENATOR CORNETT: Even with a decrease in funding? Or not a decrease, but not funding it to the extent you thought you were going to get. Let's not... [LB545]

DENNIS POOL: The goals that you have established are in the law, and so that is our goal as well is to meet those goals, plus the Learning Community Coordinating Council will establish some parameters. [LB545]

SENATOR CORNETT: And I know they have their own powers, but. [LB545]

DENNIS POOL: And they'll be working to establish some parameters. I'm very positive about the learning community as a whole, and I think we'll work very hard at making it work. [LB545]

SENATOR CORNETT: And I'm not saying anything against the learning communities idea. What I'm saying is with this decrease in expected aid, are you going to be able to achieve the goals that we wanted for OPS? [LB545]

DENNIS POOL: I think it will be a greater significant challenge, but I do think we can. [LB545]

SENATOR CORNETT: Good enough. Thank you. [LB545]

SENATOR HOWARD: Yes, Senator Giese. [LB545]

SENATOR GIESE: One more brief question. Teachers' salaries. Can you tell me in the...and I don't know how long you've been involved with the Omaha Public Schools? If you said that, I missed that. [LB545]

DENNIS POOL: Twelve years. [LB545]

SENATOR GIESE: Twelve years. Let's just say the last five. Just give me a, if you can, how much have teachers' salaries increased in the last five years? [LB545]

DENNIS POOL: On an annualized basis, I would say that 4 percent figure that I gave you would probably be pretty close to it. [LB545]

SENATOR GIESE: So 4 percent per year? [LB545]

DENNIS POOL: Four percent per year. [LB545]

SENATOR GIESE: Okay. That's all I need to know. Thank you. [LB545]

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SENATOR HOWARD: Okay. Any other...? [LB545]

SENATOR CORNETT: Just one quick one. Was that 4 percent contractually or an increase based... [LB545]

DENNIS POOL: Across the board for... [LB545]

SENATOR CORNETT: Across the board. Okay. [LB545]

DENNIS POOL: Depending...as Dr. Bonaiuto explained, it's all in the schedule. [LB545]

SENATOR CORNETT: I know. Let's not get back into that. [LB545]

SENATOR HOWARD: Yes, Senator Haar. [LB545]

SENATOR HAAR: I'm not sure why you're getting hit up with all the questions, but the question that's going to face all of us, of course, is how do we keep schools going in tough economic times? And just react to that a little bit, as an educator. [LB545]

DENNIS POOL: Curtail services. Reduction in staff may be a part of that, but it certainly shouldn't be and won't be in the classroom. I'll be looking at administrative costs. We'll be looking at transportation costs. What level of transportation do you provide students to school? Is it one mile, one and a half mile, two miles? Those all make a difference because then the burden...the problem is that then the burden, if you have a child that does need to be transported, the burden falls back upon the family, and many of our families can't simply afford to transport their children. We have children who choose to take transportation just because that's the way they can get to school. So there will be lots of things that will be looked at very, very closely to see what might be best that will impact the educational things. The classroom will be the last thing that we'll hit. [LB545]

SENATOR HAAR: Good. Okay, thanks. [LB545]

SENATOR HOWARD: Any other questions? To end on an up note, one of my schools, Jackson Elementary, has gone to a Saturday school to help kids that are struggling with reading, and I think they're doing a great job. I appreciate their commitment to that. [LB545]

DENNIS POOL: Thank you, Senator Howard. [LB545]

VIRGIL HARDEN: Good afternoon, Senator Adams, Senator Howard, members of the committee. My name is Virgil Harden. I am the director of business for Grand Island Public Schools. First name, V-i-r-g-i-l, last name, H-a-r-d-e-n. First of all, I want to take this opportunity to thank Senator Adams and the committee for the...obviously, the hard

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work that this bill represents and the fact that we're in tough economic times. And I guess if the waters aren't muddy enough, I thought I'd just talk about a few outlying things that are floating around there, especially as it relates to the federal government and the stimulus package that they are working on as we speak. President Obama is set to address the nation this evening, and the question I have in the back of my mind is this a foregone conclusion that we have to cut state aid to schools in the state of Nebraska? Or is there an opportunity if the federal government does come through with additional Medicaid dollars or other dollars through the stimulus package that we would not necessarily have to cut state aid to schools? So I guess I would just throw that out to make sure that, if nothing else, that's on the record that, you know, maybe you could ask that question in committee amongst yourselves. Not obviously knowing what that's going to finally look like, I know that's really a question that can't be answered today. Another story that I guess I want to tell you as far as Grand Island's perspective is that we continue to struggle with the facilities in our district. We have students that are taught in storage closets, in the custodian closets, and in closets at the end of gymnasiums that used to be storage rooms. We are a growing district much like other metro school districts, but we're obviously out-state. And we continue to struggle with having enough classroom space for the kids that have special needs, the ESL, the poverty, those type of things. And so don't forget about facilities. I know that's kind of outside the scope. You're cutting state aid with this bill. But I guess in the final point that I want to make, when you talk about what would we do to help schools in tough economic times. And the state has done a very good job with \$300 million-plus in reserve compared to our neighboring states. The question in the back of my mind is, when is the time to start having a conversation about a state aid stabilization fund? Obviously, it's not now because there's no money. But at some point, this cycle will reverse itself and we will be on our upswing. And probably an appropriate time to start laying the foundation or the seed for stabilizing state aid to schools, especially when you think about it in context of the percent of the state budget that it now represents, and, conversely, the amount of resources that it represents to school districts. So on both sides of the equation, we rely on it; you have to pay it out. When is the time for the state of Nebraska to say to the public, to the school kids in this state, that they're important enough to have money held in reserve, so when bad economic times come, they come first? With that, I'll conclude my comments. [LB545]

SENATOR HOWARD: Thank you, Mr. Harden. Do we have questions? I don't see any. Thank you. [LB545]

VIRGIL HARDEN: Thank you. [LB545]

TERRY HAACK: Good afternoon, Senator Howard, Senator Adams and committee members. My name is Terry Haack. I'm the superintendent of schools for Bennington. Haack is H-a-a-c-k. I'll be brief with my comments as I can see my time is up already. (Laughter) The Bennington Public Schools, over the last four years, has had an

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increase in student population of over 70 percent. There is a factor in the current state aid formula, put in by LB988, called student growth. Before that, state aid was factored on last year's formula student numbers. Therefore, when Bennington increased by over 110 students, those students were not counted in state aid. It is set to go into place next year that student growth will be a part of state aid. This is essential for Bennington in that the learning community has a shared common levy. It is suggested that we would lose or share a property tax of about \$490,000. The LB988 student adjustment for growth would add approximately \$550,000. So we need that student growth factor to maintain or the growth adjustment as it is in LB988, to stay in the formula. I know LB545 does not affect that at this point in time. There are several other adjustments within LB988 that LB545 does not affect and we are appreciative of Senator Adams leaving those adjustments at this point in time. I'll conclude. As I said, I'll be brief, but we're certainly looking at the adjustments and we want to make sure that those are maintained, particularly by Bennington, because the learning community will affect us in several ways. Thank you. Are there any questions? [LB545]

SENATOR HOWARD: Are there any questions for Mr. Haack? Looks like you summed it up, thank you. [LB545]

RUSS INBODY: Good afternoon, Senator Howard. I am Russ Inbody, R-u-s-s I-n-b-o-d-y, and I'm with the Nebraska Department of Education. And to respond to some of the questions that have been asked, the current state aid that we're sending out to school districts in this current year is \$839 million. You heard a reference to Model A several times, and what we did is we did a model of what would be sent to school districts if LB988 wasn't changed or the current formula wasn't changed. And that came out to be \$941 million or a 12 percent increase over this current year. We did...we haven't completed a model for LB545, but we did do a fiscal note, and we estimate that the changes in LB545 would produce state aid for '09-10 at \$881 million, which would be a \$42 million increase over the current year or a 5 percent increase. So with that, I'd be glad to respond to any questions you may have. [LB545]

SENATOR HOWARD: Does the committee have any questions for Mr. Inbody? Yes, Senator. [LB545]

SENATOR HAAR: Thank you. Could you give me those two numbers again? [LB545]

RUSS INBODY: Which? I gave you two or three. What we're currently spending is \$835 million for '08-09. The model, and several of the testifiers talked about Model A and that was the model we did as if there was no changes. That was \$941 million which was a 12 percent increase. And then our fiscal note was \$881 million, which was a 5 percent increase, or \$42 million if you want to go with the dollar increase. [LB545]

SENATOR HAAR: Okay, thank you. [LB545]

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RUSS INBODY: You're welcome. [LB545]

SENATOR HOWARD: Any other questions? All right, thank you. [LB545]

RUSS INBODY: You bet. [LB545]

SENATOR HOWARD: Any other neutral? [LB545]

SENATOR ADAMS: Thank you, Senator Howard and committee. And I also thank the testifiers that have been up here, pro, con, neutral, because I think that what happens is they point out to us what we knew was going to happen. There is going to be an impact on schools. And I think it's our job as a committee to spread that impact out, do the best we can with as accurate of numbers as we can get to make sure that we're not inordinately punishing any particular school or size of school more than any other. We've got to be in control of this process. We've got to listen to what these folks are saying and develop a plan that we put on the floor and that we have control of. Mention was made to the stimulus package. And I don't mean to belittle that, that possibility. But as I put this plan together to put it in front of you, my logic is, at this point, I'm going to assume there isn't going to be a stimulus package, and I think it's just fiscally prudent for us to say to ourselves, we have an issue right here. We need to deal with it. And if something rains on us later on that we might be able to use in an effective, equalized way that doesn't inflate TEEOSA down the road, then boy, we're going to grab right onto that and respond to it. But in the meantime, I look at it as a little bit of pie in the sky, and I think we've just, we've got to continue to dig in and do what we have to do here. Thank you. [LB545]

SENATOR HOWARD: (See also Exhibit 14.) Thank you, Chairman Adams. Do we have any questions, any wrap-up questions? Thank you. [LB545]

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Disposition of Bills:

LB215 - Indefinitely postponed.
LB221 - Placed on General File, with amendments
LB545 - Placed on General File, with amendments
LB578 - Indefinitely postponed.

Chairperson

Committee Clerk