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Appropriations Committee  
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[AGENCY 13]

SENATOR MELLO: Are there any other testifiers on behalf of Agency 69, the Nebraska Arts Council? Seeing none, that will end today's hearing on Agency 69 and bring us to our next agency, Agency 13, the Nebraska Department of Education. Good after...good evening, Dr. Breed. (Laughter) [AGENCY 13]

ROGER BREED: (Exhibit 22) It'll almost be good morning shortly. I'll wait until we get those handed around. Or has he got those around? Well, good evening. I am Roger Breed, R-o-g-e-r B-r-e-e-d. I am the Commissioner of Education. I am here representing the Nebraska Department of Education and the State Board of Education. Senator Mello, members of the Appropriations Committee, it gives me great pleasure to sit before you for the first time in five years and see, actually, plus signs on Agency 69's budget. So we thank you very much for that, and also thanks for the past and present support. In particular we would note: returning the administrative costs to the department from the lottery funds to the General Fund; the special education aid increase, which we think is of great benefit to all 249 school districts in Nebraska; returning the Excellence to Teaching scholarship dollars to their previous level; and maintaining our funding of vocational rehabilitation so that the state of Nebraska does not jeopardize the federal funding, which is the main stream for that particular program. That being said, there are four areas that we would like to share some thoughts with the committee and respond to any questions. First of all, as you are aware, the department is 75 percent funded by the federal government in terms of its operations and programs and a good amount of flow-through money. That leads us to a concern about assessment. As you're aware, Nebraska has a full complement of state assessments: grades 3 through 8 and 11 in reading and math; grades 5, 8, and 11 in science; and 4, 8, and 11 in writing. Those assessments presently are funded at \$3 for the federal government for every \$1 for the state government to the tune of just under \$4.5 million. Our concern is twofold with that: the cost of assessment is going to go up because the assessments are going to change; and that the federal government's support of that

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may be in jeopardy. So we would ask you to consider our request of increasing state support for the NeSA program for assessment in the second year of the biennial budget. The second area that we would ask for your consideration: We requested an additional \$900,000 and change to go to grants to open and expand preschools. That is dealing with the four-year-olds. You heard extensive testimony earlier this afternoon about the zero-to-three early education program, something, by the way, I personally support and compliment Senator Harms for bringing that forth. It's an area of, I think, great promise for Nebraska. We presently fund about \$3.4 million in money that goes to grants to school districts to open and/or expand preschool--and that's four-year-olds--programs. And these programs have to meet the standards of Rule 11, which was indicated in Jessie Rasmussen's testimony as a high standard, a quality standard, and we've gotten a great return in the expansion of programs over the past few years with that small amount of money. And we've not increased that money for four years, so we're seeking to increase that amount to expand the grants. The grants allow schools to access money to expand or open their programs for three years, and then they have to take over the program with a combination of local and state funds. The third area is--and you've asked about or had considerable questions about--data. Well, data does not come free. Data has to be accumulated, it has to be verified in terms of its accuracy, and it has to be stored so that it can be recalled and used for purposes of informing policymaking. We are presently operating under a federal Statewide Longitudinal Data System grant, an SLDS grant, and we're going to need to begin to make a commitment from the state to sustain the projects underneath that grant. And so this involved a staffing and support of that staffing of about \$173,000 going forward, and we would ask the committee's reconsideration of that. And then the fourth area is my personal favorite: sequestration. I don't know anything about it, but I'm willing to talk about it. (Laugh) And I think that qualifies me as well as anybody else with regard to that. We did provide a chart, which is our best guess, to you. The yellow lines are going to be those areas that are affected immediately, but all of the areas on the chart will have some effect as it goes forward and rolls into the rest of this fiscal year. It is...one thing that can be said with regard to Nebraska is, by and large, Nebraska superintendents, Nebraska

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school districts, and the people who run these programs in Nebraska schools are frugal. And they operate from a budget premise that basically says, you want to estimate your revenue carefully and you want to estimate your expenditures carefully and, if you have options, you should always underestimate your revenue and overestimate your expenditures and your budget. And this means that our schools, by and large, have some carryover money, particularly with regard to the federal programs in Title I. And so they'll be buffered a little bit. They have some carryover money in impact aid, so they'll be buffered a little bit. But make no mistake about it, sequestration will begin to eat away at Title I, the Perkins money, IDEA/special education, and Head Start as we go forward into the remainder of 2013 and into 2014. So with that, I'll close my testimony, again, thanking the committee for your consideration of the department and respond to any questions that you might have. [AGENCY 13]

SENATOR MELLO: Thank you, Commissioner Breed. Are there any questions from the committee? Senator Nelson. [AGENCY 13]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Mr. Director. I simply want to compliment you on your foresight in bringing us the material on what you think sequestration may amount to. And, just for the record, would you acknowledge that sequestration began four days ago, on March 1? And it may not end for any time soon. [AGENCY 13]

ROGER BREED: Well, it did begin then, but we have been...it's been a topic, as you're aware, for almost 11 months. And so we have actually been considering the up and down and ebb and flow of it for a good 30 days because, ultimately, the department will have issues with regard to employees and paying for staffing. And again, we're 75 percent federally funded, and so the impact will fall on department employees eventually. [AGENCY 13]

SENATOR NELSON: Thank you. [AGENCY 13]

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SENATOR MELLO: Are there any further questions from the committee? I have one. I mean, I...one question, Commissioner. [AGENCY 13]

ROGER BREED: Sure. [AGENCY 13]

SENATOR MELLO: It's a follow-up to Senator Nelson's. What...in your testimony you briefly discussed sequestration. Is there any requests from the department or will there be a request maybe next year in a deficit appropriation in regards...from the department in relation to possibly replacing any staff or general funds for any lost federal funds to ensure that some programs can continue to be carried out? [AGENCY 13]

ROGER BREED: That will be a potential. And, I would say, you know, the first areas: we would want to maintain our effort for both special education funding and also for vocational rehabilitation. Those two areas, if we would fall below MOE, then you begin to lose considerable dollars for a very small amount of state money. The other things we'll have to see how they play out. You know, hopefully, our federal government will end this and maybe look at a different way to deal with it. [AGENCY 13]

SENATOR MELLO: Okay. Thank you, Commissioner. [AGENCY 13]

ROGER BREED: You're welcome. [AGENCY 13]

SENATOR MELLO: Seeing no further questions, other testifiers on behalf of Agency 13, the Nebraska Department of Education. [AGENCY 13]

JON HABBEN: Senator Mello, members of the committee, my name is Jon, J-o-n, Habben, H-a-b-b-e-n. I'm the executive director of Nebraska Rural Community Schools Association. There are a couple of things in the appropriations. Normally we're not seated at the table here to talk to you about them, but there are two things that I want to

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address--first of all, the effort that your committee has gone to so far relative to funding TEEOSA. Coming out of LB235, everybody's really appreciative of the effort that your committee can make toward making that as full funding as possible. A very high priority for our organization and schools we represent is the special education funding. I'm sure you're aware that about 102 of our members are nonequalized. Special education funding, as Dr. Breed indicated, runs across 249 districts. That is critically important because it is based on costs incurred. I will simply tell you that, as a principal for 7 years and a school superintendent for 17 years before a couple of years ago deciding to do this, I've been in many, many conversations in terms of what kind of services can we offer and how far should we go and what can we do and what aren't we able to do. And as we trip over into about a 50 percent reimbursement rate from ten years ago at maybe 78 percent, 80 percent, you can see how those conversations have changed over that period of time. You are gradually working more on regular ed dollars to fund your special education needs, and it creates some real difficult discussions and decisions, as you can imagine. I think probably our members have sent some letters and e-mails to the committee, and we have some education service unit folks that can talk in detail about currently what is happening and give you some examples in addition to those letters. But again, I thank you very much for approaching that special education issue. It's time to get us back to growing that reimbursement rather than sliding the other way. Thank you very much. [AGENCY 13]

SENATOR MELLO: Thank you for your testimony. Are there any questions from the committee? Seeing none, thank you. [AGENCY 13]

JON HABBEN: You bet. [AGENCY 13]

SENATOR MELLO: Next testifier on behalf of Agency 13, the Nebraska Department of Education. [AGENCY 13]

JASON HAYES: (Exhibit 23) Chairman Mello and members of the Appropriations

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Committee, for the record, my name is Jason Hayes, spelled J-a-s-o-n H-a-y-e-s, and I represent the 28,000 members of the Nebraska State Education Association. I am speaking today on an additional funding request for the Department of Education as it relates to TEEOSA, LB599, and LB506. According to the 2010 federal Census report, Nebraska ranks 45th...47th in the percent of state funding for K-12 education. Now keeping that statistic in mind, included in my testimony is a spreadsheet showing the amount of state aid to education since 2003. And I'll wait until that gets passed out. But if you'll refer to that as I continue, and then I also have a graph that shows the levels of that funding as well. In fiscal year 2010, state aid was set at \$950 million. This current fiscal year it was down by \$98 million to \$852 million. This amount is still well below the formula needs level. The difference between the needs amount and the actual funding amount in fiscal year 2012 was \$278 million. NSEA appreciates the Governor putting a 5 percent increase in state aid for each year of the biennial budget but, as you can see from the chart, this is still well short of what is needed. NSEA realizes that this needs amount can be legislatively changed from year to year in order to reduce the formula funding gap amount, but we believe this is the wrong policy approach. Making such changes creates significant uncertainty for school district budgeting and the hiring of educational staff. Often school districts are induced to adopt policies in order to take advantage of funding allowances contained in TEEOSA, only to have these allowances later reduced or removed by the state in order to lower the school formula needs amount. Instead, we ask the committee to consider at least a 7 percent increase in TEEOSA funding for each year of the biennium. This 7 percent represents a \$912 million increase for fiscal year 2013 and a \$975 million increase in fiscal year 2014. These amounts are still well below the formula need level, but the move will go a long way in addressing the formula funding gap. Now I will shift my focus to two additional issues. A related bill, LB599, introduced by Senator Sullivan, in part changes the definition of "general fund operating expenditures" in the school aid formula with regard to school retirement contributions. Simply speaking, it includes the additional 2.5 percent employee and employer retirement contributions above the 7.28 percent level, which is already included in the GFOE. The bills I had discussed last week in this

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committee, LB553 and LB554, both introduced by Senator Nordquist, would permanently increase these retirement contributions. According to the fiscal note, the formula need would be increased, beginning in fiscal year 2014, by \$32.7 million. And finally, LB506, introduced by Senator Bolz, in part changes the Department of Education requirement for their fall personnel reports relating to education support professionals. We ask the committee to provide funding to the department in order to meet this additional reporting requirement. We estimate this additional funding to be no greater than \$30,000. And I thank you for your time, and I'm willing to take any questions you may have. [AGENCY 13]

SENATOR MELLO: Thank you for your testimony, Jason. Are there any questions from the committee? Seeing none, thank you. [AGENCY 13]

JASON HAYES: Okay, thank you. [AGENCY 13]

LINDA RICHARDS: (Exhibit 24) Good evening, Senators. Senator Mello and Appropriations Committee, my name is Linda, L-i-n-d-a, Richards, R-i-c-h-a-r-d-s, and I currently serve as the president of the Ralston Board of Education. I appreciate the opportunity to appear before you today, and I do so to encourage the committee to fully fund the amount needed for the current formula under the Tax Equity and Educational Opportunities Support Act, TEEOSA. On several occasions in the last few months, beginning in the fall with the Education Committee's consideration of LR492, the position of the Ralston Public Schools has been that equalization is the paramount principle in the Tax Equity and Educational Opportunities Support Act. We know that equalization was the goal when TEEOSA was first established and equalization should be the goal today, yet, we have seen several measures introduced before the Education Committee that would serve to undermine this principle by eliminating allowances and some adjustments. Over the last few years Ralston Public Schools has remained a part of the team when asked to take reductions in aid in order to balance what the state aid formula demonstrated for need and what the state could afford. As a result, for the last

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two years we faced lower state aid to the tune of \$1.5 million. Simultaneously, we faced a loss of \$650,000 in common levy proceeds. The result is a combined loss of \$2.1 million. In order to meet this shortfall we budgeted for the use of transfers from our cash reserve to meet general fund obligations. Last October the district embarked on a fiscal revitalization program. The goal of this program was to address the impending impact of the losses that we are incurring. It has not been easy. There were several difficult decisions that had to be made. We have had to make those decisions and, at the end of the day, the impact to services for students and families has been felt. It does not please me to inform you and this committee that only a week ago, at our Board of Education meeting, I had a vote in front of us, and that vote was unanimous, to reduce in force, or RIF, five members of our school community. I cast the first yes vote that night, something I personally did not want to have to do, but it had to be done in order to protect our financial stability of the district. These professionals are like family to our 3,000-student district. The impact was brought to light just in the past week when a tragedy struck our high school with the loss of a staff member. The positions that we took action to reduce that night, school psychologists, were the very people assisting our high school students and staff through this tragedy. The reality for Ralston is that efficiencies are being met; costs are being contained; our local taxpayers are doing their part with our local effort rate at its fullest level. The reality is that quality education costs money and, with all the work that Ralston has done to reduce the costs, we have no place left to go to address our revenue situation but state equalization aid. We are a landlocked district with stable valuation, and we have large TIF projects that will impact local taxation for the next ten years. Ralston Public Schools has done our part to assist in the economic growth our state needs for the future. We have partnered with you to address these shortfalls, but we cannot do it again. We are unable to watch as the state once again backs into a number that the state can afford. This will drastically impact educational opportunities to the students in Ralston and will diminish the progress we are making in improving student achievement across the state. Ralston Public Schools urges you to fully fund the need of the TEEOSA formula so that we can continue to impact the success of our state's future in a positive way. I've had it said to me that you

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can determine the priorities of a person by looking at their check register. Where your treasure lies so, too, does your heart. I hope that in generations to come, when the state's check register from 2013 is reviewed, it will be clear to whoever is looking at it that quality public education was a priority. I appreciate your attention, Chairman Mello and members, and I would try to answer any questions that you might have of me.  
[AGENCY 13]

SENATOR MELLO: Thank you so much, Linda, for your testimony. Are there any questions from the committee? Senator Harms. [AGENCY 13]

SENATOR HARMS: Thank you very much for testifying. How much do you have in your cash reserve? [AGENCY 13]

LINDA RICHARDS: Presently? [AGENCY 13]

SENATOR HARMS: Yes. [AGENCY 13]

LINDA RICHARDS: Two million dollars is what has been used, but we are...have progressed through that. We'll be at the last dollar in this budget cycle that we have...will be accessing to make the general fund. [AGENCY 13]

SENATOR HARMS: So in the cash reserve that you transferred into your general budget,... [AGENCY 13]

LINDA RICHARDS: Right. [AGENCY 13]

SENATOR HARMS: ...was this for staffing, salaries, or...? [AGENCY 13]

LINDA RICHARDS: All of the...yeah, yes, yes. [AGENCY 13]

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SENATOR HARMS: I'd say you're really caught then, aren't you, because you have no way to return that? [AGENCY 13]

LINDA RICHARDS: Right, and so what we're trying to do and what we have been doing is plan for this. It's not been a surprise in that regard. [AGENCY 13]

SENATOR HARMS: Um-hum. [AGENCY 13]

LINDA RICHARDS: But it still is dollars coming in have not been to the level of the expenses that we have incurred. And so we did reach a level this year with the need to reduce staff members, and so we have done so with five positions, Senator. [AGENCY 13]

SENATOR HARMS: How would changing the TEEOSA funding formula...what would we have to do to change that to make that work better for you or other schools that are in the same condition you're in? [AGENCY 13]

LINDA RICHARDS: Right. Well, we...you know, the basic funding component is a critical component for us. I think that our needs have grown and continue to grow. I heard the testimony--we were here all afternoon with you--with regard to the preschool initiative, early childhood initiative. Those are areas that continue to grow. So the needs are going up, but that basic funding component is so critical for a district like Ralston that has a high...in our array of schools that we fall into, Senator, we are caught in a spot where we're chasing after that level of funding. And so I think it's critical for us that, as you move forward...and I know this is a big picture--bless you, Senator--... [AGENCY 13]

SENATOR NELSON: Thank you. [AGENCY 13]

LINDA RICHARDS: A big picture for you here is to say, well, how does education fit in

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this overall budget that the state has to do? And I think, for us, what we're asking is that we not have an impact, that we've had such a decrease in those dollars over the last few years, what we need you to do is make a commitment to that basic funding and allow us to see that formula begin to catch up with what the need is. And it's a significant need. I think if you were to let it run this cycle, it's a 20 percent increase, and I understand that. But that's a suppression that's occurred over the years that we're now paying the price for, in my opinion. [AGENCY 13]

SENATOR HARMS: Is your student enrollment increasing, or are you level with your (inaudible)? [AGENCY 13]

LINDA RICHARDS: We're stable. We've not seen a decrease. We saw a little...you know, we see those little undulations of down but nothing drastic. [AGENCY 13]

SENATOR HARMS: Yeah. [AGENCY 13]

LINDA RICHARDS: We've pretty much been the 3,200 school...3,200-student district that we are today and foresee that we will be. [AGENCY 13]

SENATOR HARMS: Thank you. [AGENCY 13]

LINDA RICHARDS: You're welcome, Senator. Thank you for the question. [AGENCY 13]

SENATOR MELLO: Senator Nelson. [AGENCY 13]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Ms. Richards, for testifying. [AGENCY 13]

LINDA RICHARDS: Yes, Senator. [AGENCY 13]

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SENATOR NELSON: I apologize for interrupting. [AGENCY 13]

LINDA RICHARDS: No, you're fine. Bless you. [AGENCY 13]

SENATOR NELSON: (Laugh) Thank you. It must be the chocolate candy that was passed out earlier. You have about 3,200 students altogether. What is your total budget? [AGENCY 13]

LINDA RICHARDS: Yes, well, we're at a \$30 million number, and I do have some other stats. If you'd like for us to give you a couple of copies of those things, I think they would be helpful for you not only with regard to the overall budget number but where our expenditures are, too. And so I think I'd like to provide, if I could, a glimpse of Ralston from our annual report. And so I think that would be helpful for you as you try to... [AGENCY 13]

SENATOR NELSON: Yes. I think if you could provide it to the whole committee...? [AGENCY 13]

LINDA RICHARDS: Absolutely. [AGENCY 13]

SENATOR NELSON: Okay, thank you. [AGENCY 13]

LINDA RICHARDS: We could do that. I didn't want to bombard you with information if there's things that you do know, but certainly those kinds of statistics and that information. And it also, I think, would be really important because I wanted...in this, want to show that our local source is 48 percent as far as contribution to our operations, and state sources are 46. So our local taxpayers are really doing their part. We're at the \$1.05 levy. We're at our full expense there, and so our local taxpayers are doing...and that's including their contribution of 17 percent in our bond fund to help us... [AGENCY

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SENATOR NELSON: Okay. [AGENCY 13]

LINDA RICHARDS: ...because we moved dollars out of our building fund into our general fund, just to...so that you understand, for operation purposes. So it puts me as a board member in a really bad spot with regard to the future of our buildings and those securities of...and those assets of not having a building fund operation. [AGENCY 13]

SENATOR NELSON: Okay, thank you. [AGENCY 13]

LINDA RICHARDS: You're welcome, Senator. Thank you. [AGENCY 13]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Linda, for your testimony. [AGENCY 13]

LINDA RICHARDS: Thank you. Appreciate you. [AGENCY 13]

SENATOR MELLO: Next testifier on Agency 13, the Nebraska Department of Education. [AGENCY 13]

MATTHEW BLOMSTEDT: (Exhibits 25 and 26) Good evening. I guess I'll start that way anyway. My name is Matt Blomstedt, M-a-t-t B-l-o-m-s-t-e-d-t. I'm the executive director of the ESU Coordinating Council, and I guess I actually am giving you an outline of some of my testimony. It's not...I won't have to go through absolutely everything. What I really wanted to be able to point out is that I'm very concerned about where we are statewide with establishing systems for the long haul and where we go, and I...one of the things...we have several different projects that we run from the ESU Coordinating Council that are statewide projects that are essentially funded by participation of school districts, by participation of ESUs. We do distance education where we're working on all

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sorts of things that try to establish network and, ultimately, services for school districts. But we've enjoyed a very close relationship with the Department of Education; ESUs have for many years, and certainly since I've come on-board with the ESU Coordinating Council. And we've worked on several different things. There's kind of a list of them there. And Dr. Breed had mentioned some of the key and critical ones that are obviously funded by federal sources. We also engage in assisting the department on professional development in many of these areas, from assessment to data systems to, you know, ultimately, everything down that list, from career education to early childhood to any number of things, in several different ways. And so we find that it's among our concerns, obviously, is what happens with federal funding on some of those projects. Obviously, our concern is with the investment in what I would call foundational systems, making sure that the department has enough staff to carry out the responsibilities that they have. Obviously, we always have those concerns among ESUs as well. Much of the ESU work is essentially funded in a similar fashion that we do things at the ESUCC level, and that's by participation of school districts in that. We also have a foundation of funding underneath us with a property tax and then core services aid. And core services aid was established at the time that levy limits were put into place, and ESUs were reduced from 4.5 cents of levy to 1.5 cents. So all those pieces come together to be able to provide as many possible services and interact with the Department of Ed on making sure that they are able to accomplish their ends as well, and that...we essentially try to help school districts accomplish what they need to accomplish as well. So it becomes one of those things that I look at from, hey, look, we have to start being strategic about the investments that we make in educational systems across the state. We've been very intentional about working with the Department of Ed, looking at what we do, looking at what they do. I like to use the phrase, "make yourself useful," relative to our work with the department. And I think that you see that happening in what we're doing in professional development and aligning our efforts on several important processes and projects across the state. As I look at it and I pass...and one of the other handouts that I had is really just an example of something else that we call BlendEd. So it's the initiative that takes distance education, on-line learning, network operations,

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essentially, for all sorts of digital media and digital educational sources. When you look at that, every school is out there trying to figure out where they need to be in this digital age, how they provide the best resources, how they do that. This is one example. And we've worked for at least two years anyway, maybe a little bit longer, with Commissioner Breed, with lots of folks at the Department of Education, looking at where do we ultimately go. And I basically...I find, anyway, that in partnership and collaboration across the state we have all sorts of opportunities that are very unique in Nebraska. We have a P-16 environment where we're able to work across higher ed, across all these, you know, educational institutions from K-12 all the way down to including early childhood folks. So it's...I look at the opportunities that we have in the state and I...and we basically are at some points in time where I'm worried about whether or not we're investing properly in these types of systems and making sure that they're there. And again, we've relied heavily on federal funds to accomplish those things and my concern would be that we would have to walk away from some of those systems in the future if trends kind of continue. So what I guess I generally look at...I mean, I would...I want to make sure that we're maintaining investment in those educational system, whether it's from an ESU level, from a department level, from a higher ed level, quite frankly. And so I just generally want to put that message in front of you. Appreciate, obviously, the work that you do here and would certainly take questions. [AGENCY 13]

SENATOR MELLO: Thank you, Matt, for your testimony. Are there any questions from the committee? Seeing none, thank you, Matt. [AGENCY 13]

MATT BLOMSTEDT: Thanks. [AGENCY 13]

SENATOR MELLO: Next testifier on Agency 13, Nebraska Department of Education. Good evening. [AGENCY 13]

ELLEN STROKEBRAND: (Exhibit 27) Good evening. I'd like to say, good afternoon, so we can kind of go back in time, right? (Laughter) So anyway, my name is Ellen

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Stokebrand, E-l-l-e-n S-t-o-k-e-b-r-a-n-d, and I'm here today to testify in support of the increase in special education appropriations. So thank you to the committee for listening to us and, first of all, let me say that in my role as a special ed director at ESU 4 in Auburn I work with 11 school districts in the southeast corner of Nebraska in those five counties. And they range in size from a Class B to a Class D school in...and while our total population is actually decreasing in our area, the number of students with disabilities in our districts continues to grow. As an...ESU-wide, we're at just above the state percentage of students with disabilities. During the 2011-12 school year, which is our last year of complete data, we were at 16.35 percent of the total population of students were also identified as students with disabilities. And those are students and children ages 0 through 21 that we're working with. So that's kind of where we're at, as a rural area, in ESU 4. Special education is currently regulated by the Individuals with Disabilities Improvement (sic) Act, IDEA, and has always been a shared funding responsibility of the federal government, the state government, and the local school district. Right now you're actually looking at a handout that some of you might be familiar with. We've shared it through NASES, the Nebraska Association of Special Education Supervisors, and this actually kind of outlines where the three funding sources all come together. Originally, in 1974, when PL94-142 was passed, the federal government committed to funding 40 percent of the special education costs. Its actual share has never risen above 19 percent. The local district's effort to fund special education cannot decrease from the previous year and, to ensure this, a maintenance of effort calculation is done every year for the state...or for each district. Similarly, the state is also required to maintain its effort as well so that we make sure that effort does not increase...or decrease. The graph on the handout actually illustrates how the three funding sources have maintained their efforts since 2001, and our most recent, current year of full data is the '10-11 year. We're actually in the process of collecting data for the 2011-12 year even as we speak. Special education expenditures are not determined by budgets or the availability of funds but, rather, IDEA requires all spending decisions to be made by a student's individual education program team, and they are based on the unique needs of each individual child. Further, local districts are only reimbursed for the

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spending that exceeds what it would cost to educate a nondisabled child, as Nebraska is an excess cost-formula state. Federal funds are expended and claimed for reimbursement in the current year. State funds are claimed and reimbursed a year in arrears. Any increase in special education spending is generally absorbed by the local district, which carries that responsibility forward. Cuts to IDEA, given the current climate, seem unavoidable. Overall spending continues to increase. Local general fund expenditures will fill the gap, which will create further need for individual districts. Special education reimbursement is one of the only reimbursements that's based on the services provided for students as opposed to those funds based on population, class size, or even tax base. Since 2000--and Dr. Habben actually alluded to this--the reimbursement rate has actually decreased from just over 77 percent of excess special education costs to an estimated 50 percent reimbursement rate for the 2011-2012 school year. This drastic decrease has actually created a flip in responsibility as local funds now are actually supporting the majority of the special education expenditures. Because special education is federally mandated, districts have no choice but to fund those programs. As a result, there is a direct impact on programs for non-special education students, and that creates unintended consequences and, sometimes, a competition for dollars that is...serves to divide students, the teachers, families, and communities. And so your support for this additional funding then will help us to minimize some of those unintended consequences as we go forward. I want to thank you for your time and your allowing me to testify, and I'd take any questions at this point if there are any. [AGENCY 13]

SENATOR MELLO: Thank you for your testimony. [AGENCY 13]

ELLEN STROKEBRAND: Um-hum. [AGENCY 13]

SENATOR MELLO: Are there any questions from the committee? I have one question. [AGENCY 13]

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ELLEN STROKEBRAND: Okay. [AGENCY 13]

SENATOR MELLO: And I guess it's just a policy question that I know, ultimately, our...  
[AGENCY 13]

ELLEN STROKEBRAND: Um-hum. [AGENCY 13]

SENATOR MELLO: ...colleagues in the Education Committee know about and may be considering moving forward, too, is the current statutory limit in regards to a 5 percent increase every year. [AGENCY 13]

ELLEN STROKEBRAND: Correct. [AGENCY 13]

SENATOR MELLO: Has there been any discussions within the NCSA at all in regards to looking to maybe possibly change that in future years to increase the ability in regards to...increase that 5 percent to a higher amount, knowing that we're seeing more and more... [AGENCY 13]

ELLEN STROKEBRAND: Um-hum. [AGENCY 13]

SENATOR MELLO: ...school districts that are becoming unequalized and, ultimately, special education funding... [AGENCY 13]

ELLEN STROKEBRAND: Right. [AGENCY 13]

SENATOR MELLO: ...is one source of funding that goes to all school districts across the state. [AGENCY 13]

ELLEN STROKEBRAND: That's exactly...yeah. That's...actually, and just...the last year and a half is...really those discussions have begun. I'm also the legislative

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representative for NASES, which is an affiliate of the NCSA. And we have begun that discussion in our legislative committee and will probably be continuing that discussion as we continue to move forward. So it's very much in the front of our minds and something that we would be considering as we move forward. [AGENCY 13]

SENATOR MELLO: Okay, thank you. [AGENCY 13]

ELLEN STROKEBRAND: Um-hum. [AGENCY 13]

SENATOR MELLO: Thank you. [AGENCY 13]

ELLEN STROKEBRAND: Thank you. [AGENCY 13]

SENATOR MELLO: Next testifier on Agency 13, the Nebraska Department of Education. [AGENCY 13]

JANE BYERS: (Exhibit 28) Good evening, Senator Mello and members of the committee. My name is Jane Byers, J-a-n-e B-y-e-r-s, and I represent NASES, the Nebraska Association of Special Education Supervisors, as a legislative committee member. I am also the special education director with the Papillion-La Vista school district. Through Ellen's testimony you've heard about special education funding supports and trends from a state and an ESU perspective. My goal is to share a school district perspective. Papillion-La Vista is the fourth-largest school district in Nebraska. We serve about 1,200 students with disabilities. We have annual special education expenditures of approximately \$17 million, which has remained fairly consistent over the past several years. Of that \$17 million, about \$2 million come from federal IDEA funds. That leaves about \$15 million of excess special education costs for our school district to support with local resources and state funding at a reimbursement rate of about 50 percent. I'm going to tell you a little bit about our students in the Papillion-La Vista school district as I believe they mirror student populations from across the state. In

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Papillion-La Vista, we use an attribute rubric to rank students with disabilities on a scale from one to four. I've provided you with a copy of that rubric. A student with a disability who might be scored a one, for example, is able to follow classroom rules, is able to make progress in grade-level curriculum with some minimal support and accommodations. A student ranked a number one is independent for self-help and can communicate his own wants and needs. This student may have a learning disability that requires preteaching or remediation, for example. But on the other end of our scale, a student who is ranked a four is one who needs one-on-one adult support throughout his school day for a variety of reasons. He may have behaviors that require intensive support in order to keep him, his teachers, and classmates safe. A student in our fourth quadrant is typically supported across all academic areas and accesses a curriculum that is individually designed and delivered. A student ranked a four requires staff support for feeding, for toileting, and for recess. He may be nonverbal and require assistive technology supports to communicate his needs. He may also have medical needs, which requires one-to-one skilled nursing. Papillion-La Vista school district is a growing district. Over the last five years our special education population has grown in number by about 15.5 percent, and that's consistent with our overall district growth. But our special education population, in terms of needs, when compared to that attribute rubric, our students have grown by about 29.2 percent. Again, this is consistent with what we see at the state level. The severity of students with disabilities is increasing and, with this, we see increased costs. One student in my district ranked within a quadrant four may cost from \$25,000 to \$35,000 as an individual. One who is served in a specialized program outside of my district costs nearly \$100,000 annually for day programming. Let me stress that our system is efficient. We have cut all that is discretionary from our budgets, and over 90 percent of my total budget is dedicated to staff for teachers, paraeducators, nurses, vision and hearing specialists, physical therapists, occupational therapists, and speech-language pathologists that are required to serve children with disabilities. In Papillion-La Vista our message is loud and clear, as it is throughout this great state of Nebraska: We serve all kids, we believe all can grow and learn, and it is our responsibility to prepare all students for that next phase or that

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next step in their lives. Beyond our federal mandate of a free and appropriate public education, it's simply the right thing to do. So I appreciate your support of the proposed 5 percent increase in special education appropriations and would certainly be willing to answer any questions that you may have. [AGENCY 13]

SENATOR MELLO: Thank you for coming down today, Jane. Are there any questions? Seeing none, thank you. [AGENCY 13]

JANE BYERS: Um-hum. [AGENCY 13]

SENATOR MELLO: Good evening. [AGENCY 13]

MIKE WORTMAN: Hello. I'm Mike Wortman, M-i-k-e W-o-r-t-m-a-n, and I'm the principal at Lincoln High School, your closest neighbor, about six blocks right down "J" Street. I've been in this position, the principal of a comprehensive high school with over 1,600 students, for the past 18 years. During that time I've seen some changes in school funding. I'm not a superintendent, I'm not a business manager, so I don't pretend to know the details of the school finance formula. All I know is what we do in buildings to try to help our students improve their student achievement and to graduate students in four years. In many ways Lincoln High School is a cross-section of the state of Nebraska. I'm involved in our state principals association and talk to administrators from large schools and small schools, and I don't see huge differences in the things we face, day in and day out. I'll give you an overview of our school and what services we need to provide to help our students. First, we have some of the newest students in the state, as we have some 200 students who are new to our country in the last few years. We have students who were born in 37 different countries and speak 31 different languages. Many communities in Nebraska also have non-English-speaking families. We also have some of the most academically talented students in our International Baccalaureate Program. We owe it to these students to provide a rigorous and challenging college prep program to prepare them to compete with other students in the state, nation, and

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all over the world. We have over 300 special education students who need special support systems and educational plans so they can be successful despite handicaps. We have a high mobility rate of about 25 percent per year, so we need to have procedures in place to help students so they can transition easily. Some of these students are living here in Lincoln for a period of time in a group home or in foster care. In the past few years we have been fortunate at Lincoln High to have been awarded grants from the Department of Education to explore ways to help students. This is the final year for one of these grants, and the other grant will run out in two more years. We've tried a number of interventions, and some of them have positive impact. We have our ninth and tenth grade students on teams of about 100 students, with an administrator, counselor, and four teachers. Those professionals have a common plan time and get to know those students very well and monitor their progress. We believe the most important time in high school career is the first semester of the freshman year. Students have to make that transition, and all students need to be able to see themselves as high school graduates. We also have implemented an advisory program where every student has an adult who gets to know the student very well. The students meet with a group of about 18 students and an advisor for 30 minutes each week with a set curriculum of activities to help students. We also have after-school programs so that if a student is behind turning in assignments, missing test scores, or failing a class, the student is assigned for help. We are working to reduce the gap between the time we first see a student is struggling and when we start the intervention. With these grants running out, we are trying to figure out ways to be able to afford to keep some of the programs we've found to be successful. All these programs take time, take people, take planning, and they are more effective when there is a smaller student-adult ratio. In the past six to eight years, Lincoln High and most schools that I know about across the state have made cuts. Class sizes have increased. Teachers, counselors, administrators, librarians, clerical staff members who have left have not been replaced. There are very few places left to cut that are away from the classroom or cuts that do not impact students. And as we struggle to make cuts, our demographics show that we have students with more needs. We have more ELL students, more

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students who are in poverty, more students with mental health issues. We are also asked to do more as we prepare students to take the NeSA tests, ACT tests, and to graduate on time. It has become evident that one area we can't afford to cut, in the past few weeks and months, has to do with school safety. In the past years, and particularly since Sandy Hook, we know we have to plan a certain percentage of our building funding going to door monitors, campus supervisors, and administrators monitoring and supervising. I've been in touch with principals from all over the country, and I feel lucky to be an educator in Nebraska. I give tours, from time to time, to people who are moving to Nebraska. After showing our school and telling about our programs I've heard, more than once, someone say, where we come from we felt like we had to send our students to private schools, but from what we see your public schools are like private schools in our part of the country. I just ask that you continue to support our students in K-12 public schools so that we can provide the services that our students need and deserve. Thank you. [AGENCY 13]

SENATOR MELLO: Thank you for your testimony. Are there any questions? Seeing none, thank you for your public service. Good evening again, Ted. [AGENCY 13]

TED STILWILL: (Exhibit 29) Chairperson Mello and members of the committee, thank you for your engagement. We are, I know, one line in your 31-page report. I'm from the Learning Community. The information that you have already received--and we have another copy in case you don't have it with you--really outlines Learning Community funding. To make a long story short at this hour, the difference in the different appropriation levels...right now, in our appropriation level of \$882,000, we're able to support all of the programs funded through the elementary levy not through the appropriation...by all the administrative overhead costs being funded outside the elementary levy. So the full amount of the levy funds, every dime, goes to school districts and community organizations for those programs. At any...at a level much lower than that, the committee's recommendation, I think, is about a 26 percent decrease, or about \$650,000. We might suggest maybe a 17 percent decrease of about \$725

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(thousand). Even at that, we'll still be taking off the table some funding for elementary programs, and those are...you know, we're just at a point in our history as a Learning Community...I won't go through all the programs, all the values, all the benefits; that's probably more appropriate for the Education Committee. But we're at a place with the Learning Community where all the programs we're offering have been evaluated, they work, they contribute to improving student performance, and we're just on the verge of getting even much better at that. We're doing better every year, and we're just to the point where the truly innovative programs in south Omaha and north Omaha are coming into play. So we would prefer, obviously, not to suffer any reduction, as I'm sure every person who speaks to you in that situation does, but we've laid that all out in the materials for your study. I won't prolong the conversation this evening, but I'd be happy to answer any questions that you might have. [AGENCY 13]

SENATOR MELLO: Thank you, Ted, for your testimony. Are there any questions from the committee? Ted, I have, I guess, one question and one comment. In general, right now--and this was an internal discussion the committee had in the preliminary budget--with what currently is in our preliminary budget, do you think...do you see any dramatic changes in your operations--where we're currently at right now in comparison to where we would possibly be at? Let's say, for an example, your work. I understand you have a new request today of a 17 percent reduction that takes you to \$725 (thousand). What would be the difference for the committee in regards to if we went to that 17 percent reduction instead of where we're currently at. [AGENCY 13]

TED STILWILL: Our operations, in terms of how the Learning Community manages itself, would not change substantially. The difference would be we are allowed to charge some overhead costs,... [AGENCY 13]

SENATOR MELLO: Um-hum. [AGENCY 13]

TED STILWILL: ...including the executive director's salary, to the elementary levy. So at

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the committee's level, \$232,000 gets charged to the elementary levy, to make a long story short, and the consequent reduction in available programs. We have about...we just got the request in from the districts and community organizations for next year--about \$4.4 million. We have \$3 million to distribute. [AGENCY 13]

SENATOR MELLO: Okay. That was, I think, the main question was the reduction in services or, essentially, the elementary learning services that would be reduced by the transfer of more administration to the elementary learning center levy. So that was a question that I know the committee... [AGENCY 13]

TED STILWILL: So those are after-school programs, Jump Start Programs. They're listed. We intentionally didn't say, well, this is exactly where we'd go, because that's a decision of the council and the subcouncils as they deal with those requests. [AGENCY 13]

SENATOR MELLO: Um-hum. Other than that, congratulations on the acquisition of your new elementary learning center location in south Omaha. I know it was the struggle finding a larger facility, so congratulations on finding that new facility. [AGENCY 13]

TED STILWILL: Thank you very much. We visited with some of the families, took them in, and they were pretty excited, so that's a reward in itself. [AGENCY 13]

SENATOR MELLO: Good, good. Any further questions from the committee? [AGENCY 13]

TED STILWILL: Thank you. [AGENCY 13]

SENATOR MELLO: Seeing none, thank you, Ted. [AGENCY 13]

WILLIAM MUELLER: (Exhibits 30 and 31) Chairman Mello, members of the committee,

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my name is Bill Mueller, M-u-e-l-l-e-r. I appear here today on behalf of Millard Public Schools. Mr. Angelo Passarelli was here most of the afternoon, and he went back to Omaha to a school board meeting. So the page is handing out his testimony--I will not read it--and is also handing out some slides from Millard. If I may, we are here to testify on the level of TEEOSA funding in the upcoming biennium. Millard is in the midst of a perfect storm. They have increasing student enrollment and declining revenue. Millard has grown over 640 students in the last three years. They currently serve 23,000 students, pre-K through 12. They are the third-largest school district in the state behind Omaha Public Schools and Lincoln Public Schools. Their property tax valuation of \$9 billion has decreased this past year for the first time ever. State aid, on top of that, has declined \$10 million in the last ten years from \$83 million in 2011 to \$73 million this year. In light of those declining revenues, Millard has had to reduce staff by 60 positions, the majority of which were teachers, but that number also includes administrators, custodians, paraeducators, and support staff. Class sizes are increasing. One of the items that Mr. Passarelli was going back to Millard to talk about was an upcoming bond issue. They are going to have a bond issue to cover building maintenance needs and security issues since they are not able to fund routine facility maintenance out of their general operating budget. Interestingly, Millard is a very modest spender. Their per-pupil spending of \$8,400 per student ranks them third from the bottom in the state. We would simply request that the committee fully fund the state aid formula going forward. And those of us working with schools have spent a great deal of time the last month and a half dealing with the Education Committee because, as this committee knows, not only is it important how much money the state spends in the TEEOSA formula, but how that money is spent is very critical. There are two competing bills in the Education Committee. Senator Sullivan has LB407 that would make changes to the state aid formula to back into the number that the Appropriations Committee and the Legislature and the Governor ultimately decide to spend. Senator Hadley has a competing bill, LB640, that would use a temporary aid adjustment. It would not change the allowances in the state aid formula. Millard is very supportive of Senator Hadley's approach and opposes Senator Sullivan's approach. Two the allowances that are

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eliminated under Senator Sullivan's approach are of critical importance to Millard. Those are the teacher education allowance and the instructional time allowance. Millard has made hiring and management decisions based on those allowances being in the state aid formula. We...it is a priority to hire and encourage staff members who will get master's degrees and get doctorates. Additionally, we've expanded our school calendar. We've actually added days to our school calendar and, if these two allowances are eliminated going forward in the state aid formula, that will have a devastating impact on Millard. I know that that's a different committee, but you will all be involved in that debate on the floor. Thank you for your time. You've had a full afternoon. I'd be happy to answer any questions you may have. [AGENCY 13]

SENATOR MELLO: Thank you for your testimony, Bill. Are there any questions?  
Senator Bolz. [AGENCY 13]

SENATOR BOLZ: Bill, this may be an unfair question, as I know you're pinch-hitting.  
[AGENCY 13]

WILLIAM MUELLER: I am pinch-hitting. [AGENCY 13]

SENATOR BOLZ: But it would be helpful to me as a new member to better understand what circumstances brought about the need to cut staff. It seems to me that that's a particularly painful cut for schools, and it would just be informative if you could articulate what the other pressures on a school aid budget are for me. [AGENCY 13]

WILLIAM MUELLER: I will come back with that information to you. I'm not able to give you very good information today. [AGENCY 13]

SENATOR BOLZ: Fair enough. [AGENCY 13]

WILLIAM MUELLER: But I will...I can assure you Millard does not eliminate staff

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members lightly. [AGENCY 13]

SENATOR BOLZ: I'm certain of that, so appreciate it. [AGENCY 13]

WILLIAM MUELLER: So we will come back and give you that information. [AGENCY 13]

SENATOR MELLO: Seeing no further questions, thank you, Bill. [AGENCY 13]

WILLIAM MUELLER: Thank you. Thank you. [AGENCY 13]

SENATOR MELLO: Further testimony on Agency 13, the Nebraska Department of Education. [AGENCY 13]

CATHERINE BEECHAM: Good evening, Senators. My name is Cathy (phonetic) Beecham, B-e-e-c-h-a-m. And before I say anything else, I just have to tell you thank you for being here tonight. At 1:30 I naively called my mother-in-law and told her, oh, I'll be able to pick up the kids at 3:30 but, just in case, would you be my backup? And so, seeing all the attention that you've given tonight, I just want to tell you how much we appreciate your service and sticking around so that folks like me can come in and give you our two cents. My husband and I are small business owners here in Lincoln. We have two little girls, a first-grader and a fourth-grader. I serve on...volunteer on various different groups around town, including being president of our PTO. But tonight I'm actually just here to talk to you as a mom. I am lucky enough to be able to volunteer occasionally in my kids' classrooms and just wanted to tell you my observations of watching my kids go through kindergarten through, now, fourth grade. And something that has struck me as I've watched this progression is how much each year's learning is built upon the things they learned the year before, and that actually includes the things that they learned in preschool. They learned, you know, their ABC's and their numbers in preschool. Kindergarten they started putting sounds with letters and began really

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putting together basic words. In first grade we got to add endings like "ing" and "ed" and start making sentences and actually caring about spelling. In second grade we really saw writing take off, where they started writing paragraphs, sometimes even fiction or nonfiction. By third grade my kids did...my daughter did a research paper on a small topic and did a presentation on Jackie Robinson. I know all about Jackie Robinson in case anyone has questions. And then this year my fourth-grader just finished her state writing assessments. And all these fourth-graders wrote personal essays; didn't know what they were going to write about ahead of time and spent two days editing them. And it's all really just built on the previous year. And I know that you are facing a very large job here, particularly with the economy the way it is, and that, a lot of times, partially funding something is a solution, a painful one, that we have to think about. I would urge you to try not to do that in this case because, to my way of thinking, we kind of get one shot at giving these kids each piece of the puzzle. It's like building a tower, and these first-graders have one chance to learn what first-graders need to know. And everything that they're doing after that is based on their first-grade learning, and if we miss that chance, if we can't teach them what they need to know, we leave a hole there. And it's kind of like building a tower, you know. You can have the greatest architects and builders, but if you've got a piece missing from your corner foundation, your tower is not strong. And so I would urge you, if at all possible, to fully fund the state aid to education. I just think it's an investment, and I think it's really worth our while. So that's my two cents. I appreciate you sticking it out tonight. I feel like I should bring Valentino's so you at least get some dinner. But I'd be glad to answer any questions if anybody has any. [AGENCY 13]

SENATOR MELLO: Well, thank you, Cathy (phonetic), for your testimony, and thank you for staying around as long as you have to provide your feedback. [AGENCY 13]

CATHERINE BEECHAM: No problem. We'll thank my mother-in-law later. She's had them for three hours now. (Laugh) [AGENCY 13]

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SENATOR MELLO: Are there any questions from the committee? Seeing none, thank you so much. [AGENCY 13]

CATHERINE BEECHAM: Great. Thank you very much. Have a good evening.  
[AGENCY 13]

JOHN NEAL: Good evening, Senator Mello. [AGENCY 13]

SENATOR MELLO: Good evening. [AGENCY 13]

JOHN NEAL: Senators of the Appropriations Committee, I'll be very brief. My name is John Neal, J-o-h-n N-e-a-l, and I'm an administrator with the Lincoln Public Schools. And I was coming up here to echo the sentiments of other people speaking to the...how important it is to fully fund the special education increase of 5 percent next year and the 5 percent the following year. Similarly to what you've heard, Lincoln Public Schools has lost in our combined reimbursement from 77 percent ten years ago to just a little over 55 percent this last year. And the impact is not only on the robustness of our special education program and meeting the needs of those students. But in order to fulfill our mandate, those dollars have to be taken from our general ed budget, as you've heard. The pieces...and the reason I decided to go ahead and come up and add to the testimony is added to that is something that Commissioner Breed said is that our finance director estimates that we'll lose close to \$500,000 in the sequestration in this next year, and that's money that is incredibly important to our special education department. That's just the special education department. We'd lose that money as part of sequestration, so that makes the increase of 5 percent each year that much more important. I will stop at that point and be happy to answer any questions that I can.  
[AGENCY 13]

SENATOR MELLO: Thank you, John, for your testimony. And are there any questions from the committee at all? Seeing none, thank you so much. [AGENCY 13]

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JOHN NEAL: Thank you. [AGENCY 13]

SENATOR MELLO: Is there any further testimony on Agency 13, the Nebraska Department of Education? Seeing none, that will close tonight's hearing on Agency 13 and move us to our last agency of the night, Agency 34, the Nebraska Library Commission. For the record, quickly, I apologize. We did receive a letter from the Board of Educational Lands and Funds, Agency 32, accepting the committee's recommendation, thus, do not have to have a hearing for them. Real quickly, if there is anyone who...we will take testimony if there is anyone at the end of the night who would like to provide testimony for Agency 32, the Board of Educational Lands and Funds, after the Nebraska Library Commission. Good evening. [AGENCY 13]