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Education Committee
February 11, 2013

[LB407 LB416 LB640 LB645 CONFIRMATION]

The Committee on Education met at 1:30 p.m. on Monday, February 11, 2013, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB640, LB407, LB645, LB416, and gubernatorial appointments. Senators present: Kate Sullivan, Chairperson; Jim Scheer, Vice Chairperson; Bill Avery; Tanya Cook; Al Davis; Ken Haar; Rick Kolowski; and Les Seiler. Senators absent: None.

SENATOR SULLIVAN: Good afternoon, everyone. I think we will get started since it's right at 1:30. We welcome you to the Education Committee. I'm Senator Kate Sullivan of Cedar Rapids, representing District 41. I'd like to introduce you to the members of the committee that are here. To my immediate right is Senator Jim Scheer of Norfolk; he's the Vice Chair of the committee. To his right is Senator Rick Kolowski from Omaha. To my far left is Senator Ken Haar of Malcolm. And to his right is Senator Tanya Cook from Omaha. And to her right is Senator Les Seiler from Hastings. We have some able-bodied staff people helping us. To my far right is Mandy Mizerski, who is not only my administrative assistant but also the committee clerk. And to my left is Kris Valentin, who's the research analyst.

SENATOR HAAR: Senator Sullivan.

SENATOR SULLIVAN: Yes.

SENATOR HAAR: I'd like it noted I am not on the far left; I am sort of middle-of-the-road. (Laughter)

SENATOR SULLIVAN: So noted. We have a couple of additional committee members that will be joining us in the not-too-distant future. And we have at least one page here today; Phoebe Gydesen from Lexington is a student at UNL. If you are planning to discuss...oh...well, excuse me, first of all, we've got two gubernatorial appointments that we are going to be hearing shortly. And also then we have four different bills: LB640, LB407, LB645, and LB416. If you're planning to testify, please pick up a green sign-in sheet that's on the table in the back of the room. If you do not wish to testify but would like your name entered into the official record as being present at the hearing, there's also a form on the table to do that as well, and this, too, will be made part of the official record. Fill in the green sign-in sheet before you testify, and please print; it's important that you complete the form in its entirety. And when it is your turn to testify, please give the sign-in sheet to Mandy. And this, again, will help us make for a more accurate public record. If you do not choose to testify, you may submit your comments in writing and have them read into the official record; but please let us know that that is your intent. And if you have handouts during your testimony, please make sure you have 12 copies, and the pages will hand those out to the committee. When you come to testify, please speak clearly into the microphone. Tell us your name, and please spell both your first

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and last names to ensure that we get the adequate record. And I would request that you turn off all your cell phones, pagers, and anything else that beeps. And if you must have a conversation, please take it out in the hallway and be respectful of those that are taking the time to testify. The introducers of each bill will make their initial statements, followed by proponents, opponents, and neutral testimony. And closing remarks are reserved for the introducing senator only. We will be using the light system for the bill introductions...excuse me, not the bill introductions but the testifiers on each bill, and there will be five minutes to make your initial remarks to the committee. When you see the yellow light, be prepared to wrap up your comments, and end them when the red light comes on. And I don't expect this, but, please, no displays outwardly of support or opposition to any bill, vocal or otherwise. Okay, I think we will begin first of all with the gubernatorial appointments. And the first one...both of these, by the way, are for the board of trustees for the Nebraska State Colleges. And the first one is Robert Engles? [CONFIRMATION]

BOB ENGLER: Engles. [CONFIRMATION]

SENATOR SULLIVAN: Engles. Okay. Join us, Mr. Engles... [CONFIRMATION]

BOB ENGLER: Thank you. [CONFIRMATION]

SENATOR SULLIVAN: ...and thank you for being here. [CONFIRMATION]

BOB ENGLER: Thank you, Madam Chair. Thank you, state senators and staff members, for the opportunity to visit with you this afternoon. My name is Bob Engles, B-o-b Engles, E-n-g-l-e-s. I live in Auburn, Nebraska. I have a business in Auburn, the Engles Agency; we sell insurance and real estate. I've lived in southeast Nebraska most of my whole life. I currently serve on the State College board of trustees, filling out the last two-year term of Floyd Vrtiska. And I'm here today for your consideration for a six-year term on that board. My background, just a little bit: I've done the typical small-town....served on about every committee and organization there is, from Rotary Club to Chamber of Commerce to fire department and that sort of thing. I did serve for 12 years as an elected member of the Auburn Public Schools Board of Education. I followed that up with 8 years as mayor of Auburn. And for the past 2 years I've been serving on the State College board of trustees. It's a position I enjoy serving on, and I think we're doing a lot of good things at the State College System. [CONFIRMATION]

SENATOR SULLIVAN: Thank you, Mr. Engles. This is a reappointment, then... [CONFIRMATION]

BOB ENGLER: Yes. [CONFIRMATION]

SENATOR SULLIVAN: ...for an... [CONFIRMATION]

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BOB ENGLER: Yes, ma'am. [CONFIRMATION]

SENATOR SULLIVAN: ...an additional term. What drove you to seek out this position in the first place? And then, reflecting on your experience so far, what's been one of the highlights? [CONFIRMATION]

BOB ENGLER: I have a real passion for public education. A strong proponent of public education, both on the secondary level and at the college level. This gives me an opportunity to implement some of the things that I feel passionately about, which is, namely...our public school system is the best opportunity we have in this country to redistribute wealth. I believe every student has a...should have an opportunity to gain a two-year or a four-year degree, whatever suits their needs. And I feel very passionately about trying to keep our four-year bachelor programs at an affordable level. And I think we're doing a pretty good job of that at the State College level. [CONFIRMATION]

SENATOR SULLIVAN: Thank you. Are there any other questions? Seeing none, I think you covered it. Thank you very much for joining us today. [CONFIRMATION]

BOB ENGLER: Thank you, Madam Chair. [CONFIRMATION]

SENATOR SULLIVAN: Yes. Is there anyone who would like to speak in support of this appointment? Any opposition or neutral testimony? Thank you. We will hear now...next from Mr. John Chaney. [CONFIRMATION]

JOHN CHANEY: Yes. [CONFIRMATION]

SENATOR SULLIVAN: Please join us, sir. [CONFIRMATION]

JOHN CHANEY: Thank you. My name is John, J-o-h-n Chaney, C-h-a-n-e-y. I'm also from Auburn. This would be a request for my first appointment to this board. I grew up in Falls City, and...but I've been in Auburn for the past 38 years. And I've been in the banking business: first of all with savings and loan business, then in the Farm Credit System, and now, the last 27 years, in a small bank in Auburn. And I've served on the Peru State College Foundation and also the Peru State College advancement corporation, which for some time ran the bookstore there. And in my career as a banker, I don't know how much you want to tell...I guess I've got a resume here, too. I don't know, would that be helpful? [CONFIRMATION]

SENATOR SULLIVAN: We have it. [CONFIRMATION]

JOHN CHANEY: Oh, you do. [CONFIRMATION]

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SENATOR SULLIVAN: Yes, we do. [CONFIRMATION]

JOHN CHANEY: Okay. [CONFIRMATION]

SENATOR SULLIVAN: Um-hum. [CONFIRMATION]

JOHN CHANEY: I graduated from Sacred Heart High School in Falls City, then I went on to the University of Nebraska, graduated there. And then also I have a diploma from the Graduate School of Banking in the University of Wisconsin-Madison. And throughout my banking career in Auburn--I've been there all my life--noticed that...how many...what a great asset the State College System is for Nebraska and for its students. I've been fortunate to observe a number of young men and women get their diplomas from Peru State that I know would not have been able, either by location or just the size of the institution, be able to get them anywhere else. Also, I was in the banking business during the transition period of the '80s, when we had so much difficulty in agriculture, and I saw many husbands and wives stay in place and still be able to get their degree and then move on after that. And so I just think it's a great asset, and I would welcome the privilege of being able to work to keep that asset in place and improve it in any way I know how. [CONFIRMATION]

SENATOR SULLIVAN: Thank you, Mr. Chaney. One thought that occurred to me is, and you may not know this, is it unusual for two individuals from the same community to be on the board of trustees? [CONFIRMATION]

JOHN CHANEY: I believe it is. [CONFIRMATION]

SENATOR SULLIVAN: Okay. [CONFIRMATION]

JOHN CHANEY: I don't think it's ever happened before. [CONFIRMATION]

SENATOR SULLIVAN: Okay. All right. Any other questions for Mr. Chaney? Senator Haar. [CONFIRMATION]

SENATOR HAAR: Yes, thank you. Actually, a lot of people watch our hearings, so, just for information, contrast the State College System a little bit with the University System. [CONFIRMATION]

JOHN CHANEY: Of course, I'm a graduate of the university. And in what way would you like me to contrast it? As far as...the sizes of the institutions... [CONFIRMATION]

SENATOR HAAR: Yes. Yes. [CONFIRMATION]

JOHN CHANEY: ...are, of course, much different. [CONFIRMATION]

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SENATOR HAAR: Yeah. Yeah. [CONFIRMATION]

JOHN CHANEY: Peru, you know, and the state colleges, the enrollment at those campuses run around 2,000 to 3,000 people. And the University System is over 20,000...I mean, that...just the UNL campus, I believe. And, of course, the University System is much more comprehensive as far as their size, and they have a medical school and a lot of other schools that go along with it. Is that kind of what...
[CONFIRMATION]

SENATOR HAAR: Yeah. Yeah. [CONFIRMATION]

JOHN CHANEY: ...you're wondering? [CONFIRMATION]

SENATOR HAAR: Yes. Thank you. [CONFIRMATION]

JOHN CHANEY: Um-hum. [CONFIRMATION]

SENATOR SULLIVAN: I presume you feel that your banking experience would serve you well on the board. Any other particular features that you think you would bring to the board? [CONFIRMATION]

JOHN CHANEY: Well, just, you know, as I spoke about earlier, just my desire to see the State College System be successful. I am on the...have been appointed to the finance committees already, which has been, you know, the audit committees and the facilities corporation committee, which, you know, it's a larger environment than what I've been used to, but it's not altogether foreign to me. So I think I can be of help there.
[CONFIRMATION]

SENATOR SULLIVAN: Okay. Very good. Any other questions? Thank you for being with us today. [CONFIRMATION]

JOHN CHANEY: Thank you. [CONFIRMATION]

SENATOR SULLIVAN: Testimony in support. [CONFIRMATION]

STAN CARPENTER: Thank you, Chair Sullivan and members of the committee. My name is Stan Carpenter, S-t-a-n C-a-r-p-e-n-t-e-r. And I'm the Chancellor of the Nebraska State College System. Let me just address the question you asked about...before, in terms of two folks from the same town. We recently, for the last four or five years, had two trustees who lived in Chadron, or Chadron proper and Chadron environs. So it is a bit unusual, but it's not completely unheard of. And, from my perspective, what I look for or what I hope I get on our board are really good, solid

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board members no matter where they're from. And I've known Bob Engles now for more than two years. I met him first when I was president at Peru and when he was the mayor there, and we had lots of interaction in that capacity. And now on the board for the last two years, he's been an engaged, committed board member who...he talks about his passion, his real passion is for students. He is on the Student Affairs, Marketing, and Enrollment Committee, and he attends every meeting. He attends every meeting of the board. And he speaks passionately for students, and our student trustees really, really appreciate that. So he's been a good board member, and I know he'll be another good board member should you choose to recommend him. And I hope you do. I met John Chaney, again, when I was at Peru; I was president there. That was back in 2008. He was helping us with the problems that were extending from that prior presidency. And he's a solid community member; he'd be a great board member for us, particularly with his knowledge of banking and audit issues, which are always important for us to know and to deal with. And I think he will be a great board member as well, should you choose to recommend him. And again, I hope that you do. And I'd be happy to answer any questions that anybody might have. [CONFIRMATION]

SENATOR SULLIVAN: So geographic representation isn't the main priority in selection of board members? [CONFIRMATION]

STAN CARPENTER: Not from my perspective. No, ma'am. [CONFIRMATION]

SENATOR SULLIVAN: Okay. [CONFIRMATION]

STAN CARPENTER: And I don't...well, I don't know what the statute says, but it certainly hasn't been a problem. And, really, the culture of our board is that each board member knows that his or her fiduciary duty is to the system and not to an individual institution, even though they might come from a particular region where there is a college. We have a board member...our chair lives in Wayne, but Wayne is no more important to him, in terms of his board chairmanship, than Chadron or Peru. And that's a culture that we have created--I didn't create--the board created over the last 10 or 12 years. And so where they come from really makes no difference, and I can assure you that political affiliation makes no difference either. [CONFIRMATION]

SENATOR SULLIVAN: How big is the board? [CONFIRMATION]

STAN CARPENTER: Seven board members: six appointed by the Governor; and then, of course, Commissioner Breed is a member of the board by dint of his office. And then we have three student trustees who serve kind of in an advisory capacity for student issues. [CONFIRMATION]

SENATOR SULLIVAN: Okay. Any other questions for Dr. Carpenter?
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STAN CARPENTER: Thanks for the opportunity... [CONFIRMATION]

SENATOR SULLIVAN: You bet. [CONFIRMATION]

STAN CARPENTER: ...I appreciate it. [CONFIRMATION]

SENATOR SULLIVAN: Um-hum. Any other testimony in support of the appointments? Any opposing testimony? Any neutral? So that closes the hearing on the gubernatorial appointments. We will now move to bill introduction, LB640. And we welcome Senator Hadley. [CONFIRMATION]

SENATOR HADLEY: Going to be very careful as I walk up here. [LB640]

SENATOR SULLIVAN: Going to try to be easier on you than we were in Revenue. (Laughter) [LB640]

SENATOR HADLEY: Good afternoon, Senator Sullivan, distinguished senators of the Education Committee. My name is Galen Hadley, that's G-a-l-e-n H-a-d-l-e-y. I represent the 37th District, which is Kearney and Buffalo County. Thank you for the opportunity to share with you the intent of LB640. The funding of public schools is a constitutional requirement. It is one of the most important tasks that face the Legislature every year since it provides the vehicle for schools to educate students and prepare our children for fulfilling and productive lives. The amount of funding is of great importance to schools and to the communities, families, and students that they serve. Also of great importance is the method of determining that funding, TEEOSA, was established to provide funding for public education, provide a method of equalizing education funding to ensure equitable education opportunities for all students, recognize the unique needs of a wide variety of districts, and over the history of TEEOSA since its inception in 1990, it has been adjusted many different times. Adjustments have been made to better respond to the unique needs of a district to provide a more equitable funding distribution. Other times the formula has been changed to ensure that the total amount of TEEOSA funding did not exceed the budgetary constraints of the Legislature. In speaking with school administrators, they identified that it was important to run the formula as it was devised because it kept the current proportionality to accurately reflect the needs of individual districts. But administrators understand the realities of the state budget. Not a single year since 2008 has TEEOSA been run to its full level as devised the previous year. There have been changes made to the formula or temporary aid adjustments that have lowered the total amount of TEEOSA funding to meet the needs of the state. Administrators would prefer to have a temporary aid adjustment applied across the board to all districts if the amount of funding generated by the TEEOSA formula is greater than what the budget will bear. This method doesn't change the formula or change the proportionality that exists in the formula that identifies the unique

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needs of each district. LB640 includes these key features: It runs the full formula as it exists in current law. It runs the formula that senators, superintendents, and school business officers have spent five years learning. It runs the full formula that recognizes the unique needs of each district. Two, it provides the option in both years of the biennium for the Legislature to apply a temporary aid adjustment applied equally across all districts to capture the proportionality that is so important to providing equitable educational opportunities for all students. Some have expressed a concern that a temporary aid adjustment would open up the state for a lawsuit. Temporary aid adjustments have been used previously without a lawsuit. Additionally, we have a white paper presenting research on the issue and feel confident that the use of a temporary aid adjustment would not make the state vulnerable to a lawsuit in the future. It repeals the averaging adjustment and replaces it with a basic funding adjustment. The averaging adjustment is a safety net for districts who are at or near their statutory levy and receive equalization aid, but even with that they are unable to keep up with the state average spending per student. The basic funding adjustment provides some additional support for these districts to stay close to a state average as long as they continue to maximize their local effort. These school districts do not have a remedy within TEEOSA to avoid falling behind without the basic funding adjustment. This bill repeals the averaging adjustment for the basic funding adjustment because it looked at a statewide average as its target that included all 249 districts, which was a concern of many smaller and rural districts. After careful consideration and discussion with administrators from these small districts, we implemented a basic funding adjustment that only targets the average per-pupil expenditures of districts with 900 or more students, a grouping that has more budgetary commonalities than the entire group. This bill does not require property taxes to be raised at the local level nor does it increase the requirements for a district to become equalized nor does it restrict schools from spending at the limit that has been set in statute. You'll hear testimony from a variety of educational professionals about the positive aspects of LB640, both in what it does and what it does not do. Thank you for your consideration of LB640. I'd be happy to answer any questions that you have at this time, and I will be available at the end of the testimony. Thank you, Senator. [LB640]

SENATOR SULLIVAN: Thank you, Senator Hadley. How about questions for the senator? Senator Haar. [LB640]

SENATOR HAAR: Thank you. Senator Hadley, you taught business, right? [LB640]

SENATOR HADLEY: Um-hum. [LB640]

SENATOR HAAR: Just from a business standpoint, what makes sense about your proposal? [LB640]

SENATOR HADLEY: I think, Senator Haar, one of the things that makes sense to me, if

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we look at things from a business standpoint, and we've got a couple of bills in Revenue right now that deal with taxes. And one of the big concerns that businesses have is uncertainty. They have difficulty dealing with uncertainty because it's hard to make plans when you don't have some degree of certainty or some ability to look at the future and make judgments on it. And I think that is the concern of the administrators and superintendents is that when we have changes in the TEEOSA formula if you change individual elements, there is a degree of uncertainty, just as we're having with the tax bills we have in Revenue. And while that causes concern for businesses, that uncertainty, I think the uncertainty causes concerns for the superintendents and business managers out there in the school districts. So that's why I would say to me this makes sense both from a business and an education process. [LB640]

SENATOR HAAR: And, of course, you're not saying, are you, that TEEOSA should...the formula should never be changed? [LB640]

SENATOR HADLEY: No, no, no, no, no, not at all. I think that if there are legitimate reasons to change the formula, change the factor, that's very appropriate. What my argument would be is to make that from a reasoned judgment as to whether or not the factor is still appropriate the way it's being implemented or whether it should be changed, not because we happen to have \$830 million that comes up in the budget and the formula runs at \$890 million and we got to figure out how to get from \$890 million down to \$830 million and we do that by changing a factor. [LB640]

SENATOR HAAR: Thank you. [LB640]

SENATOR SULLIVAN: Senator Scheer. [LB640]

SENATOR SCHEER: Thank you, Senator Sullivan. Senator Hadley, I just want to bring things down to my level a little bit and make sure I understand exactly what we're talking about here is maintaining the TEEOSA formula. But if it produces \$900 million worth of dollars on the formula, and the Legislature, in its wisdom, determines that it only has \$850 million to utilize, rather than turning the nob here or there that will affect the total amount but may affect districts differently. So a district by the turn of one nob could lose 15 percent of its state aid, another one when you turn the nob down it actually maybe puts a little bit more money in a different area so somebody else can actually get a little bit more money by turning the nobs, you're just saying if we've only got 95 percent of what we're going to be able to fund then everybody gets 95 percent of whatever their amount was. Rather than trying to continue to change the formula by adjusting one part of the formula one way or the other, you just have the formula. [LB640]

SENATOR HADLEY: That's correct. [LB640]

SENATOR SCHEER: And the formula, if the Legislature does not fund the 100 percent

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of that total dollar, everyone's state aid is just adjusted by a certain percentage, not by changes in the formula itself. Is that an accurate... [LB640]

SENATOR HADLEY: That's absolutely correct, Senator Scheer. It basically makes everybody proportionately share that decrease that we, as a Legislature, decide what the funding is. And to me, that's exactly what we're doing--rather than turning one knob that might impact one district differently. Now and again going back to what Senator Haar asked, I'm not saying that we shouldn't always be looking at the formula to see how those factors might be changed because it's a dynamic formula. But I'm not sure...I think that the factors were put in for specific reasons. And I think it's important that we look at the reason we put the factor in to see if that reason is still appropriate, not that we have \$850 million versus \$900 million. [LB640]

SENATOR SCHEER: And I think I agree with what you just said to the extent that the formula is made up of the different items that were determined to be necessary to have an equal and competent way to distribute state education. And those things can always maybe outlive their usefulness, and there may be new things that come into play that should be included in the state aid formula. But from the vantage point of your bill, it's still, when it's all done and said, will equal a certain amount. [LB640]

SENATOR HADLEY: That's correct. [LB640]

SENATOR SCHEER: And if the Legislature does not fund that amount, rather than making adjustments internally again, we simply just fund each district as a percentage of whatever that amount is. [LB640]

SENATOR HADLEY: (Inaudible) amount. [LB640]

SENATOR SCHEER: Thank you, Senator. Thank you, Senator. [LB640]

SENATOR SULLIVAN: Senator Seiler. [LB640]

SENATOR SEILER: Thank you. As I understand it, we're going to fund 109 more districts that are currently not being funded under your proposal--249 districts, 109 of them don't qualify for TEEOSA. [LB640]

SENATOR HADLEY: I don't believe that's right, Senator Seiler. I... [LB640]

SENATOR SEILER: That's why I'm asking. [LB640]

SENATOR HADLEY: Yeah. [LB640]

SENATOR SEILER: Because in here it says all districts. And are you talking about all

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districts that are TEEOSA-funded? [LB640]

SENATOR HADLEY: My understanding it would be the TEEOSA-funded. But the districts that are basically nonequalized do get the income tax adjustment, and I don't... [LB640]

SENATOR SEILER: No other state aid, I'm not talking about that. I'm talking about TEEOSA. [LB640]

SENATOR HADLEY: TEEOSA, no. This would only impact those districts that would receive, when we run the formula, those districts that would receive state aid. It would not impact the 109 that (inaudible). [LB640]

SENATOR SEILER: Okay. It may be that the summary I'm looking at doesn't include the TEEOSA...inclusive of TEEOSA. [LB640]

SENATOR HADLEY: Okay. [LB640]

SENATOR SEILER: So I just wanted to clarify that... [LB640]

SENATOR HADLEY: That's right. [LB640]

SENATOR SEILER: ...because if it included everybody, then if you adjusted down proportionately 6.5, the people that aren't at their mill levy's top they could always increase their mill levy and make it up and the other schools couldn't. [LB640]

SENATOR HADLEY: Senator Seiler, to my best knowledge to answer your question, a school that is nonequalized now would not become equalized if this bill were to be put into effect. [LB640]

SENATOR SEILER: Okay. Like I said, I'm reading from a summary so. [LB640]

SENATOR HADLEY: Okay. [LB640]

SENATOR SEILER: I just needed that clarified. I think I have one more. Is it proportionate or do we go back and redo the formula to make the adjustment? [LB640]

SENATOR HADLEY: I would say it's proportionate. Now how you... [LB640]

SENATOR SEILER: You're going to (inaudible) everything and apportion. [LB640]

SENATOR HADLEY: ...the devil's in the details whether you do as I think Senator Scheer was saying, if Kearney was going to get \$14,500,000 under the formula, I

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assume that you can do it a couple of ways. You can say we're funding at 95 percent so you take 95 percent of that. Or you can go down and take each of their factors and multiply times... [LB640]

SENATOR SEILER: Your bill doesn't specify which way. [LB640]

SENATOR HADLEY: Doesn't specify. [LB640]

SENATOR SEILER: Thank you. I have no further questions. [LB640]

SENATOR SULLIVAN: Senator Kolowski. [LB640]

SENATOR KOLOWSKI: Thank you, Madam Chair. Senator Hadley, just from a historical perspective, since 2000 how many different times have we had the opportunity to do a temporary aid adjustment? [LB640]

SENATOR HADLEY: Senator Kolowski, I'm going to be very honest and say that was on my to-do list to find out and I didn't. And maybe somebody behind me can give you the...that isn't just a... [LB640]

SENATOR KOLOWSKI: I believe it's been multiple times though. I was just trying to pinpoint it as to how many. [LB640]

SENATOR HADLEY: Yeah. I think it's a great question. It's one I thought of but just didn't get time to ask. [LB640]

SENATOR KOLOWSKI: We'll see who else might (inaudible). Thank you very much. [LB640]

SENATOR HADLEY: Thank you. [LB640]

SENATOR SULLIVAN: And, Senator Hadley, and right along with that, though, do you recall that when the temporary aid adjustment was used was there also an additional component for school districts to may...if there was a difference to be made up, did they have the opportunity to do so, exceeding the local levy limits? [LB640]

SENATOR HADLEY: That I don't know, Senator Sullivan. [LB640]

SENATOR SULLIVAN: Okay. Okay. And then you said in your testimony that averaging adjustment is being replaced with this basic funding adjustment. [LB640]

SENATOR HADLEY: Yes. [LB640]

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SENATOR SULLIVAN: And so in terms of learning the formula, this would be pretty much a new component to it... [LB640]

SENATOR HADLEY: This would be...this is a new factor in the formula, yeah. [LB640]

SENATOR SULLIVAN: ...after it's taken five years to learn the formula, now we have to learn... [LB640]

SENATOR HADLEY: Yeah, after making...I admit it is a change. [LB640]

SENATOR SULLIVAN: Uh-huh, okay. [LB640]

SENATOR HADLEY: But I guess the bill has two parts. One is the proportionality, and the administrators did say this is one thing that we did hear a lot with the 249 districts that averaging adjustment with very small districts, very large districts, and such as that. [LB640]

SENATOR SULLIVAN: Um-hum, okay. Thank you. Anything else? Senator Avery. [LB640]

SENATOR AVERY: Thank you, Madam Chair. Senator Hadley, welcome to the Education Committee. [LB640]

SENATOR HADLEY: Oh, it's always... [LB640]

SENATOR AVERY: I didn't know you knew anything about education. [LB640]

SENATOR HADLEY: I don't. I don't. (Laughter) [LB640]

SENATOR AVERY: One of the most admirable features of the TEEOSA formula I've always thought was its fairness. And I believe that the Legislature has been very consistent in trying to protect the fairness of making sure that the needs, minus the resources available, then equals how much equalization aid a district might qualify for. Do you worry that this bill might somehow upset that fairness? [LB640]

SENATOR HADLEY: Senator Avery, I would look at it differently and say I think this bill promotes fairness. If you...if the formula as we have it now, the way we run it is truly a fair way to determine the amount of state aid that a district has or gets, that it's truly fair, the fairness comes in that that results in a number. And as a Legislature, at times, we feel, rightly so, that we don't have the resources to fund it at that level. So to me the fairness issue now is, is how do we take it from X, which is what the formula says from a fair basis, down to Y, which is what the Legislature says we can fund. And I think this is a very fair way of doing that, rather than saying, District X, we're going to take you down

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more or less from that proportion because if we change one of the factors, the factor that was fair in the beginning, if we change it, maybe it's not quite as fair to your district now as it is to mine. [LB640]

SENATOR AVERY: Fairness is always defined by how much. [LB640]

SENATOR HADLEY: That...Senator Avery, that is exactly the same...we use the same concept in Revenue in taxes: A fair tax is one you pay and I don't. [LB640]

SENATOR AVERY: Right. Let me suggest that this committee and the Legislature has frequently been asked to change the formula, just scrap the formula altogether and go to a per student allocation to the state...to the schools. And we've rejected that because it would not take into account and fund the real needs that schools have because not all of those schools with the same number of students will have the same needs. So we've gone to a complicated formula that does take about five years to learn and...but it does preserve fairness. That's an important principle here. But are you here with this proposal kind of backing away from that and going to an everybody gets the same amount? Not everybody gets the same amount of aid, but everybody is going to lose the same amount of aid based upon a percentage across the board? [LB640]

SENATOR HADLEY: Senator Avery, I would say they're going to lose a like percentage, but hopefully that would still really keep them in the same relationship to each other that they were in, in the beginning; that we're not changing by doing this. I think we get away from if you're a school district and I'm a school district that that relationship changes because we change a factor that impacts you differently than it impacts me. And I think to an extent that might have...that's one way to do it. [LB640]

SENATOR AVERY: My concern is, let's take for example English learners. Let's say this school has an unusually large number of students that are learning English as their second language and you have a 1 percent adjustment. And that 1 percent adjustment might not matter as much to a school that doesn't have that heavy a burden of educating those kids that are not able to speak English but this school does. Can't you see how that might affect...have a differential effect on school districts? [LB640]

SENATOR HADLEY: I see that, Senator Avery, but would it also not have the same impact on the initial formula? [LB640]

SENATOR AVERY: Yes, it does. The initial formula would provide for that need. It would calculate extra money to meet the needs of those students. [LB640]

SENATOR HADLEY: That's right. And so when there's less...I guess my response would be, are we saying that that factor is more important than the averaging factor or whatever factor you pick out? And I would say, no. That's just...they're all important

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factors. And so since they're all important, we want to try and treat them the same as we bring them down. Now the ideal situation is we fund the formula at 100 percent. Then we don't worry about... [LB640]

SENATOR AVERY: We do. We do. We fund the formula at 100 percent every year. [LB640]

SENATOR HADLEY: The 100 percent of what we want? [LB640]

SENATOR AVERY: No. The argument that...and I've been hearing this for the last year or so, fully fund the formula. We do. In fact, sometimes we change the formula. Then we fully fund it. What people really are saying when they say fully fund the formula, go back five years and fund that. That's not sustainable because if we were doing that, we'd be well over a billion dollars now in what we provide in TEEOSA. You and I have had this conversation. [LB640]

SENATOR SULLIVAN: Senator Haar. [LB640]

SENATOR HAAR: Thank you. So this approach is sort of a share the pain approach. [LB640]

SENATOR HADLEY: I believe it is, Senator. [LB640]

SENATOR HAAR: How about share the gain? Do you think that might happen, too, that the formula might produce a number and we have a really good year? It could. [LB640]

SENATOR HADLEY: I'd like to hope so, Senator Haar, but I got a hunch that it might...I'm...to get...how do I say it, to get 49 senators to say we'll give you more money than the formula calls for, I would guess that probably isn't going to happen when I'm here. Now maybe when some philanthropist comes in my place, it might happen. [LB640]

SENATOR HAAR: Well, I would hope that would be a part of this sort of plan of saying, you know, it's not always just share the pain but maybe we put some of that in some good years instead of just sharing the gain, we put that aside and use it to relieve the pain in other years. [LB640]

SENATOR SULLIVAN: Senator Davis. [LB640]

SENATOR DAVIS: Senator Hadley, this is probably very minutia, but I do want to ask you about it. And maybe you don't know about it because it's such an arcane point, but it's on page 19, lines 10-17, it talks about income tax liability or income tax essentially rebated back and refers to Class I school districts, which we don't have any more of,

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and I could explain how all that was done in the past but I'm wondering if that really is necessary to put in there. You know there were Class I districts that were divided among different high schools. And then when Senator Raikes went through a few years ago, the Class I's were essentially dissolved. [LB640]

SENATOR HADLEY: Oh, I see. I don't know the answer to that, Senator Davis, but I'll try and find out as to why we still are referring to Class I because that certainly has been... [LB640]

SENATOR DAVIS: I mean it seems like another step in a very complicated process,... [LB640]

SENATOR HADLEY: Sure. [LB640]

SENATOR DAVIS: ...you know, to try to figure out... [LB640]

SENATOR HADLEY: We could certainly... [LB640]

SENATOR DAVIS: ...whose income tax that really goes to because the property tax has now all gone to one overriding district. [LB640]

SENATOR HADLEY: Okay. [LB640]

SENATOR DAVIS: Thank you. [LB640]

SENATOR SULLIVAN: Senator Scheer. [LB640]

SENATOR SCHEER: Senator Hadley, just to go back to Senator Avery's point as far as one being more important than another, in my discussions, and I'm just going to ask you if you have heard the same thing or agree that as we look at a funding mechanism for state aid under Senator Avery's concern, one becomes more important than the other. And each one, bear in mind, is important to an individual segment or portion of a school district. And from my perspective, they're all equal or they wouldn't be in the TEEOSA formula to begin with. And there may be some that will go in later and some that may come out, but it shouldn't make any difference when you reduce that by a percentage because we haven't had to determine which one is more important. They're all equally important. So from the vantage point, we aren't playing favorites. And as well, it's easier for a school district to see what their dollars will be in the future because they know what the formula is, they know what it will amount to. And if the Legislature or the Revenue Committee starts with its forecast, it would have a pretty good idea if the funding is going to be funded at 98 percent or, as Senator Haar pointed out, at 102 percent, it would be pretty easy for them to figure out what those fundings would be for the next year or the following year out. So it actually makes it one of convenience as

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well for the school districts. Could you agree with that? [LB640]

SENATOR HADLEY: I would agree with that, Senator Scheer. That is I guess one of the things that I've heard from my districts is, and we've come full circle to Senator Haar's question, the uncertainty is very difficult sometimes for school districts to deal with. And there's still some uncertainty because we're going to sit down sometime as a body and decide how much we're going to put in that school aid formula. And that could certainly make...you know, we could make all kinds of plans on an increase of 5 percent, which I believe is in the Governor's budget, which leads to some number then for TEEOSA, but it's possible the school aid...the appropriations may not fund it at that level. It's possible the body may not. [LB640]

SENATOR SCHEER: Thank you, Senator. [LB640]

SENATOR SULLIVAN: Anything else? Thank you, Senator Hadley. [LB640]

SENATOR HADLEY: Thank you. [LB640]

SENATOR SULLIVAN: We will now hear testimony in support of LB640. Welcome. [LB640]

VIRGIL HARDEN: (Exhibit 1) Good afternoon, Senator. My name is Virgil Harden and for the record that's V-i-r-g-i-l H-a-r-d-e-n, and I'm executive director of business for Grand Island Public Schools. And before I talk in more detail about Grand Island's position on LB640, I have to mention the work that the number of school districts across the state engaged in throughout the year concerning the TEEOSA and just reviewing the components and how that worked. And we would like to submit written testimony to that end so...and as that's going around, I'll just briefly describe it to you. Hopefully, it's nothing new for the committee in that we submitted the written consensus that we had reached back in late November as a group, our ideas about TEEOSA. And then the other part of this is just a chronological order of the meetings that took place. Since March of last year we've been working on this. And we feel that hopefully that stands on its own and, like I said, it's nothing new. And so, of course, at the end if you have any questions on that, please feel free to ask. But with that, I would like to move to Grand Island Public School's position on LB640. And let me say first of all I'm impressed with the dialogue already here this afternoon in your questions to Senator Hadley. It was all very appropriate. Senator Kolowski asked the question that I believe it's my understanding that that's been used one time in 2008, and that's my understanding. So I guess I'll try to answer the question and certainly if other people know for sure, you know, they'll let you know, I'm sure. So first of all, of course, thank you for the opportunity to speak to you this afternoon. I mentioned the work of the TEEOSA small group and hopefully that's meaningful to you. From Grand Island Public Schools' point of view, really there's a few just main takeaways. I have to mention the next bill, which is

LB407, and really it's...LB640 is not in competition, in our view, with LB407. It is a bill that introduces important concepts regarding TEEOSA that need to be dialogued about and thought about. And it's our position that hopefully you will think about that when you talk about both bills. The temporary aid adjustment is something that is fair as far as a mechanism if you can't fully fund TEEOSA. You know, with the group work that we did and all along we've been saying, of course, fully fund TEEOSA. And the interesting dialogue about, well, what does that really mean? We could talk about pre-LB235 and fully fund it there which would well be over a billion dollars. It's important to know that we realize and are cognizant of the economic situation of the state. We don't think that having a TEEOSA formula that's not sustainable is in the best interest of school districts. And to that end, I think Grand Island has been a partnership in that. We lost \$10 million in state aid in one year when the financial condition of the state changed. So I think we've lifted...done some heavy lifting as far as dealing with the cuts. As we look at LB640 and the temporary aid adjustment, the thing that really speaks to Grand Island is it's about the three mechanisms of state aid: state aid in TEEOSA, in net option funding, and allocated income taxes. And if you reduce state aid and you just take that off the backs of school districts that are participating in TEEOSA, then that group bears the brunt. If it's \$50 million reduction, if it's \$25 million, the 145 or however many school districts that receive state aid through TEEOSA only bear the full impact of that reduction. If you use a temporary aid adjustment, that impact is spread out among the other nonequalized school districts through the mechanisms of allocated income tax and net option funding. So it's a fairer way to not fully fund the formula in our opinion. And so we would recommend and that's why we recommend LB640 as being, that component being better mechanism than what maybe were the traditional methods or are the traditional methods of adjusting the local effort rate or basic allowable growth rate, which LB407 does; so we'll talk more about that later this afternoon. So...and as far as the repealing the...I'm getting down to the last minute here...as far as repealing the averaging adjustment, we think that that's an appropriate thing, adding back then the basic funding adjustment. School districts like Grand Island--high needs. We have a large amount of poverty and a large amount of ESL. We have high tax and we're \$1.04 on our general fund. We have just 1 cent for our special building fund. We do not have a large increase in valuation from one year to the next, maybe 2, 2.5 percent over the last couple of years. In fact, the last five-year average is less than 2.5 percent. We need something to help us recognize the fact that we need some help to get our resources high enough so we can have the money to spend to get closer to the statewide average or, as the bill proposes, at least the districts that are above 900. And so with that, I'll conclude my comments and be happy to answer any questions. [LB640]

SENATOR SULLIVAN: Thank you, Mr. Harden. Senator Haar. [LB640]

SENATOR HAAR: Thank you. It seems to me there's two ways to sort of play the game. One is winners and losers and the other is share the pain. How do you adapt within your district to those two different scenarios? [LB640]

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VIRGIL HARDEN: Well, in Grand Island we've tried very hard to have the statewide dialogue with our peers across the state, thinking about what's best for school districts in general and what's good public policy. And so like I mentioned, we have suffered financially and have to just live within our means. And so for us it's really about advocating for kids and making sure that you realize that anything that you do for TEEOSA affects the classroom. And it doesn't just affect Grand Island Public Schools. It affects all schools. And so what we're in favor of is good public policy for the right reason. Even if Grand Island doesn't necessarily come out as absolutely the winner right now this year, if it's good public policy, we're probably going to have to rely on that component at some point in the future. So it needs to be in there for the right reason. [LB640]

SENATOR HAAR: But then actually just coming down to, okay, you get the message and one is going to be, you know, we're going to multiply by .95, the other is you're going to get numbers that shift around the funding you've gotten in the past. How do you adapt differently to those two situations? [LB640]

VIRGIL HARDEN: Well, I'm not 100 percent sure in what context. You mean the operation of the school? [LB640]

SENATOR HAAR: In the...yeah, exactly. [LB640]

VIRGIL HARDEN: Well, for us there's one tool and that's our cash reserve and making sure that we have an appropriate level to deal with. I mean when you lose \$10 million in one year you have to be ready and you have to have...so we maintain a large, healthy cash reserve to make sure that we're in a position to deal with those default, you know, these defunding. And it's no one's fault. The economy did what the economy did. We have to be ready for it. That doesn't mean that we don't have the needs and we aren't going to continue to push for a career pathways institute that we're going to open up next year, that we aren't going to push for curriculum that's going to be delivered via iPad or a Tablet because that's what kids need to be engaged in a classroom, today's classroom. We're going to keep moving forward with how we compensate our staff so that we're fair compared to our peers when we do a comparability. So we're going to keep moving forward as much as we can, but at some point that just isn't going to, you know, if we keep getting decreases, we just aren't going to be able to continue on with the way we are now. And so the cash reserve is the only thing that buys us any time, and all that does is really, much like the state does a two-year budget cycle with the changes in negotiation process and everything else, we're really in a two-year budget cycle at this point. We have to be two years out, what we think is going to happen with TEEOSA, and try our best to manage those ebbs and flows with cash reserve. [LB640]

SENATOR HAAR: Thank you. [LB640]

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SENATOR SULLIVAN: Mr. Harden, you said earlier that you had taken a huge cut a few years ago. And even in spite of cash reserves, you might be looking at some real impacts to student learning. [LB640]

VIRGIL HARDEN: Well, during...we were very proactive I think as a district and we scaled back and we had to increase our class size at our secondary, at our high school, and we had to do without social workers and counselors and school administrators that we would have liked to see in place to help the learning process and lead that...school leaders are very important. And yet it's hard to justify when you're in hard economic times. It's hard to justify in good economic times, for that matter. So we're very cognizant of that and, yeah, it's had a very real impact on the classroom. And when you have a majority/minority school district like we do and the needs that we have with ESL and poverty, it's just exacerbated because the most needy students then suffer the most because those are those ancillary things that we can't provide them that we really wish we could. [LB640]

SENATOR SULLIVAN: Thank you. Any other questions? Senator Kolowski. [LB640]

SENATOR KOLOWSKI: Thank you, Madam Chair. Mr. Harden, I think one of your comments that I wrote down is right on target with what we heard Senator Hadley mention as well as Senator Scheer as he made his comments and that was a fairer way to not fully fund the formula. And it's unfortunate that we have to state it in that way, but I think that you're right on target in support of this bill that spreads it out evenly and equally when we don't have the full funding to make things work. And I thank you for that comment and I thank you for your testimony today. [LB640]

SENATOR SULLIVAN: Senator Scheer. [LB640]

SENATOR SCHEER: No, Senator Haar. [LB640]

SENATOR SULLIVAN: Oh, Senator Haar, did you have another question? [LB640]

SENATOR HAAR: No, that's fine, thanks. [LB640]

SENATOR SULLIVAN: Thank you, Mr. Harden. [LB640]

VIRGIL HARDEN: Thank you. [LB640]

SENATOR SULLIVAN: Welcome. [LB640]

KEN FOSSEN: Thank you. Good afternoon, Senators. I'm Ken Fossen, K-e-n F-o-s-s-e-n, associate superintendent with the Millard Schools in Omaha. First of all, I

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would concur with everything that has been said prior to this so will not comment a lot on it. With regard to LB640, it's difficult to talk about it without also talking about LB407; but I'll try to hold those comments for the LB407 testimony. But if you have questions, I may need to go to LB407 to address them. A couple of things Millard Schools would speak in support of LB640, one of the reasons being that it maintains the allowances for teacher education and for the instructional time so that's not a change, whereas LB407 will diminish those. With regard to TEEOSA, I know that there's always the argument that it's too complicated, people can't understand it. Of course, one of the reasons for that is it changes virtually every year. So if you learned it two years ago, you don't know it today. So the more that we can do to keep it consistent, the better understanding people will have of it. Secondly, if we maintain the consistency, it also gives school districts a chance to prepare better. You may not know it, but there's about a billion dollars that's going into the schools and a billion dollars directs what we are doing. So what you do in that state aid formula provides the incentives or the direction or even gives us an indication of your vision of what you want to happen in the state of Nebraska. One example, one that is going away is the elementary class-size adjustment, small class-size adjustment. We knew all along it was going away this next year. We planned accordingly. We had it for the period that it was there. Now it's going away. And we have the instructional time allowance, the teacher education allowance as well. It's awfully difficult to plan if it's saying, here it is, we think it's important, and you go chase after it and then, poof, it's gone. And one of the things about LB407 is, poof, it's gone. So things you did in the past, sorry, but we're not going to do that again. So the consistency part of it is good for the planning as well. There's been discussion here with regard to what do you do when you don't have the dollars to fund the formula? In the past we did, in fact, use a temporary aid adjustment. I know there's been legislation proposed to make it a percentage, which would be the same concept. Over the weekend, I started grabbing some information on LB407 that I found somewhat interesting because I know you're tired of hearing of the Omaha area and the Learning Community which, incidentally, is handled differently. But I grabbed Platte County. There are three school districts in Platte County. There's Columbus, which is primarily the city as I understand it; you have the Lakeview area; and then you have Humphrey, which is primarily an agricultural area. So if you have a \$100,000 home in Platte County, to understand how much you're going to pay in taxes, you need to know where those invisible lines go with regard to your school district. Because if you're in the Humphrey, if I've got it here, if you are in the Humphrey School District, you would pay \$426 a year on that \$100,000 home. If you're in the Lakeview community, it would be \$744. And if you're in Columbus, it would be \$1,065, same, same building. So that's why we have some equalization going on in the state aid formula. There are...when we talk about TEEOSA, realize that's the umbrella, that's state aid. What we often hear people say I don't get any of is related to only the equalization part. We...that's where you have needs minus resources. If your resources exceed your needs, you don't get equalization aid. No one goes out and takes those additional resources. You just don't get any equalization aid. But in addition to that, politically there have been the decisions

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made in the past but, yeah, we should give you something even though your needs exceed your resources. We are going to give you part of the allocated income tax. We're going to give you net option funding. We're going to give you reorganization incentives. So you get something beyond the equalization aid. When you go to a temporary aid adjustment, everyone gets hit, even those who get TEEOSA funding only through these, well, we'll give this to you anyway factors. So that's the end of my time. I'd be glad to answer any questions you might have. [LB640]

SENATOR SULLIVAN: Thank you, Mr. Fossen. Questions for Mr. Fossen? Senator Seiler. [LB640]

SENATOR SEILER: Just on this last issue, if you did a percentage reduction of the equalization part, most of those people are bumped against their levy. Is that correct? [LB640]

KEN FOSSEN: I don't know that. I don't know that for sure. [LB640]

SENATOR SEILER: Let's assume... [LB640]

KEN FOSSEN: I think the majority are. [LB640]

SENATOR SEILER: And then the people that are just getting the first part of the state aid, not TEEOSA or equalization, they've still got levy room. [LB640]

KEN FOSSEN: I think that's accurate, yes. [LB640]

SENATOR SEILER: So they can make it up. [LB640]

KEN FOSSEN: Correct. [LB640]

SENATOR SEILER: The people with state aid can't. [LB640]

KEN FOSSEN: With equalization aid. [LB640]

SENATOR SEILER: So does that change why you would apply the 6.5 or that was the number that was thrown around against the equalization or against all of it? [LB640]

KEN FOSSEN: That is a reason for doing it. I was primarily looking at it, saying we should all share in it. We all get state aid; some don't get equalize it. [LB640]

SENATOR SEILER: No, they're not going to share. They're going to bump their levy up and they're going to go on about their business. [LB640]

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KEN FOSSEN: Well, that's back to the old theory we don't take away from those...we don't take property taxes away, except I might add except in the Learning Community. In the Learning Community where you have over a third of all students in the state, there is a sharing of property tax as well. So when we entered into that arrangement, those school districts who did not get equalization aid, they are now sharing their property taxes with the other 11 remaining school districts, so there is a sharing of property tax there, too, and everyone now, since we're sharing everything, everyone is equalized. Everyone does get equalization aid, but everyone shares in the property value as well. And in addition, the state saved a couple million dollars in state aid. [LB640]

SENATOR SEILER: And Humphrey happens to be one of the wealthiest districts in the state, by the way. [LB640]

KEN FOSSEN: If you measure it in terms of property... [LB640]

SENATOR SEILER: Yep, thank you. [LB640]

KEN FOSSEN: ...versus the number of students. [LB640]

SENATOR SULLIVAN: Any other questions? Thank you, Mr. Fossen. [LB640]

FRANK HARWOOD: Good afternoon, Senators. My name is Frank Harwood, F-r-a-n-k H-a-r-w-o-o-d. I'm the superintendent for Bellevue Public Schools, here to speak in support of LB640. To start off with, I'll...for those of you who don't know me, this is only my second year in Nebraska so if you have some of the questions about the past, I may not know that very well. You know, over the last several years in both Kansas, where I came from, and Nebraska there has been a significant reduction in revenues that states have had. And everywhere I've seen, school districts have understood that and have understood why, you know, state aid has been reduced. And I do appreciate that, at least with the beginnings of discussions, Nebraska is willing to reinvest and look at some increases in state aid to schools. This brings up the point of how that gets done. To answer a couple of the questions that have come up in the way that it works, the difference between LB640 and LB407 is markedly different in the way some of those funds get back into schools. In both cases, you could look at an increase. With LB640, that increase is kind of a sliding scale up to above 100 percent of what TEEOSA would say, could be if you wanted to apply it that way. However, when you look at the adjustments that are in the current TEEOSA and you start changing the formula by pulling them out, basically you're saying that the needs are changing because there isn't enough money to fund the formula. And my argument would be is that the educational needs don't change. As we look at what's happened, the Legislature, as part of the adjustments, has incented practices by districts, one of those would be instructional time and/or teacher education allowance. In both cases, Bellevue has received both of

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those allowances. In this situation, to get to Senator Haar's question a little bit ago, what that does to us from a business perspective is that the new laws to the CIR say that we should be settled with our teachers for our contract for next year by Friday of last week. In looking at the two bills and getting our best guess on what that would do with us, to Bellevue, is about \$2 million difference in what state aid would be. That makes it very difficult to look at a settlement. So, you know, our education association is very understanding of the situation we're in. They've agreed to forgo the mediation that's required after February 8 so we can continue to have that discussion until we can see more what's happened...what will happen with state aid. But, in essence, by eliminating those allowances, you, as Mr. Fossen said, the districts that chased those dollars or did the things that the state had asked to be done, which would increase instructional time, are now being punished for doing that because now they're being pulled away. So even though you could have, as the Governor has suggested, 5 percent more money into state aid, that would not be 5 percent more for each district. And many districts would come out much farther ahead and other districts could, in essence, even lose money because of the way the money is reallocated. For this reason, it makes a lot more sense to look at coming up with a formula that actually is indicative of the needs that are there, whether that's for English language learners or for poverty or whatever those factors are, and then make an adjustment from there based on the funding, which is what we've talked about. And again, that consistency does help us plan to actually stay in compliance with other rules and regulations that we have at that point. Other than that, I have...I would agree with most of the testimony that has come forward. So as opposed to repeating that, I would be happy to answer questions. [LB640]

SENATOR SULLIVAN: Thank you, Mr. Harwood. When you talk about needs don't change but then you also said a little bit later that needs do change, we've had changes with respect to poverty and ethnic diversity, cultural diversity and... [LB640]

FRANK HARWOOD: And I would say that, for example, with the basic funding allowance versus the averaging adjustment, when you look at one of those proponents, the averaging adjustment was there for high-tax low-spending districts so that you could...if you get in that situation because you don't have any levy authority to go to increase, you can never get out of that situation. The averaging adjustment was one way to give districts the ability to increase or to be closer to catch up with the average spending. When you look at that as policy when you're comparing Bellevue to a district that would have, you know, less than 100 students, there will be a difference in the per-pupil spending in those two districts. I mean we do gain in the economy of scale. So a change to the way that's done with the basic funding allowance so that now you're only looking at districts that have more than 900 students makes that make more sense. So if there are changes to the formula so that you are taking a reasoned approach to why we're doing that versus just eliminating those allowances because there's not enough money to fund it, that's...I mean there will always need to be changes as we go forward. You may decide at some point later on that the allowance for English language

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learners is not sufficient and that needs to be increased for poverty. But tying the formula that dictates the needs to the amount of money that the Legislature can afford to appropriate seems to be counterproductive in that let's calculate the needs based on a needs formula that we think is appropriate and then look at the funding separately. I think over the...and again, this is only my second year in Nebraska, but from the discussion, the needs formula has been adjusted to change the dollars available to distribution. And this LB640 gets away from that as a mechanism for changing the amount available. [LB640]

SENATOR SULLIVAN: It's been two years since you left Kansas, but is Kansas doing a better job than Nebraska? [LB640]

FRANK HARWOOD: Well, Kansas is back to about to the funding they had in 1994, so probably not. And actually, and what I would say is that the state of Kansas does not seem to be as willing to reinvest some of those dollars. And again, it was the same situation where there were, I mean states across the country got hit pretty hard and so there was a reduction. Some states did that because they had to. Some states seem to have done it because they wanted to. [LB640]

SENATOR SULLIVAN: Thank you, Mr. Harwood. Any other comments, questions? Thank you. [LB640]

FRANK HARWOOD: Okay. [LB640]

SENATOR SULLIVAN: Welcome. [LB640]

STEVE JOEL: Good afternoon, Senator Sullivan, members of the Education Committee. My name is Steve Joel, superintendent of Lincoln Public Schools, S-t-e-v-e J-o-e-l. Listening to my colleague, Mr. Harwood, describe his two years in Nebraska, I was thinking, and not having much to remember about the past, I've been around for awhile, don't really remember the past, but I do remember that we talked about state aid distribution almost every year. And it continues to be a hot topic with superintendents as well as legislators. Lincoln is in favor of LB640. School districts in our state have been seeking a funding formula that provides the following: sufficient funding for K-12 education within the realities of a state budget; a funding formula that recognizes a real and unique needs of school districts based on the demographics of its students and the features of its district; and then equalized funding to ensure that all students have access to educational opportunities across the state. We believe that LB640 exemplifies these components. It runs the full formula as it exists in statute, and it recognizes the unique needs of students and the unique needs of districts. The needs of districts are determined by looking at the demographics of the students, such as poverty and proficiency in the English language and the features of the district such as transportation requirements. LB640 provides a transparent method for decreasing the

overall TEEOSA expenditure by utilizing a temporary aid adjustment, as you've heard, to ensure that the total expenditure for TEEOSA is within the requirements of the state budget. Recently, over the years, other methods to adjust TEEOSA have sought to mathematically change district needs by decreasing the basic allowable growth. This in essence stops a district from spending what it might need to meet student needs in order to decrease how much the state will financially support schools. What about changing the local effort rate? This shifts the burden back to local property owners because it requires a school district to levy a higher amount in order to qualify for state aid. Temporary aid adjustment simply lowers aid to all schools instead of changing the impression of a school's needs or requiring additional taxation at the local level. LB640 also provides measures to ensure an equalized opportunity to education and ensures that school districts that are levying property taxes above the required local effort rate but are still unable to raise enough through local resources and other elements of TEEOSA do not continue to fall away from the state average in spending per student. This is done through repealing the existing averaging adjustment and replacing it with the basic funding adjustment. While mathematically similar, the basic funding adjustment narrows the districts that make up the state average from the very small to the very large to only those schools with 900 or more students, a number that's been suggested through collaborative conversation with smaller districts. So to conclude, LB640 keeps the existing formula and its proportionality intact. It provides a vehicle during both years of the biennium to ensure that the funding of the bill fits within the reasonable parameters of the state budget without having a grossly negative impact on school districts. It ensures that schools don't lose the funds necessary to provide an equitable education for students because of statutory limitations while they invest local funding. And it does not add additional burden to local districts nor add further barriers to schools with high formula needs. Appreciate very much the opportunity to meet with you today and represent Lincoln Public Schools and many other school districts in the state. I would answer any questions. [LB640]

SENATOR SULLIVAN: Thank you, Mr. Joel. Senator Haar. [LB640]

SENATOR HAAR: Thank you very much. The Legislature will always have to adapt to the fact that we want to fund education as much as we can, but there's some years we can do that better. So here's tough...and will always be lobbied by Lincoln Public Schools and the others. So I see kind of two choices here where we just change factors so we finally come out with the amount we want or this, Senator Hadley's bill here. I call these winners and losers versus share the pain. How will your lobbying efforts differ on those two scenarios? [LB640]

STEVE JOEL: Scenarios being? [LB640]

SENATOR HAAR: One is that, you know, always knowing that we don't have enough money or maybe even a little bit, but winners and losers where you could win or lose

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pretty big by changing the factors versus everyone sharing the pain. [LB640]

STEVE JOEL: Yeah, I think, you know, looking back over a number of years, Senator Haar, I can clearly remember looking at those factors and then seeing what the printout did with respect to the districts that we represented and perhaps that senators represented. And I'm not sure that that was always a productive discussion or even an argument that we had amongst ourselves. I think what would work for us, I believe what would work for us is LB640 that has a tendency to smooth that out over time. You know, the other way I would respond to that is we have bold goals in the state of Nebraska for education. When we look at our 90 percent on-time graduation rate and high college and career readiness rate, you know, it's one of those things where education is always going to have to be funded. And it's going to have to be funded to a level that accommodates the needs that we have. So I don't know that I can give you a direct answer to your question, short of saying, you know, I guess it will be as it gets rolled out year after year we'll try to look at what's best for Lincoln students, but also be cognizant and mindful of what the impact is on other students around the state. And I think we've done that. I think there's a much more collaborative spirit today than there has been in the last three, five, or ten years. [LB640]

SENATOR HAAR: So...well, the thing I'm trying to think through here is if we go with sort of the way we've been doing it, the winners and losers, then I see less collaboration between school districts because you're all out there to get something for you. Whereas if we go to the factor method, we're going to get pretty much the collaborative lobbying we just need more money in this formula. Would you agree with that? [LB640]

STEVE JOEL: A little bit of a loaded question I think. [LB640]

SENATOR HAAR: It certainly is. [LB640]

STEVE JOEL: Yeah. Well, you know, the cost of education is going up and the cost of getting the very best professional people in front of our students is going up. And the needs that Lincoln Public Schools and many other districts in the state are facing today with respect to poverty and students that are coming from different countries is going up. And again, goals are ratcheted. So, you know, I think we're always going to be advocating; but we also understand that when times are tough education can't expect to be funded to the level that we'd like to be funded. You know, I mean it came up in earlier testimony, you know. What is fully funding? I mean I think that's a great question because, you know, fully funding would be that we're able to do everything that we think we need to do to hit our goals and the goals of the state. And I don't know that that's ever going to be reasonable, even in good times. But I think it's fair to say that, you know, we're going to continue to advocate for resources to provide the very, very best for our students. [LB640]

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SENATOR HAAR: But to pursue this a little further, it gets tougher. I sense there's been a lot of collaborative work, maybe more than I've seen in the past, and there might be that case if everybody is going to feel the pain by a percentage point instead of, oh, this school lobbies me for this...to change this factor, another school lobbies me to change another factor and so on. And I understand that. But if we go with, you know, take whatever that formula says and multiply by .95 or .98 or .99 or 1.0 that we're going to get more collaboration between schools to work on policy and less just to change a factor. Do you agree? Would that make sense? [LB640]

STEVE JOEL: Yeah, I think so. You know, again, you know, without being an expert in TEEOSA, I would just say that anything that we can do that brings us all to the table to look at what's an appropriate level of resources to meet our needs I think is a step in the right direction. And LB640 is stability I think in terms of being able to look at and have a greater degree of reliability in terms of predicting what our source of revenue is going to be. You know, it was mentioned before, you know, the new negotiation law that's gone into effect, I mean, makes it very, very difficult. We're not impacted by that because we have a two-year contract. But we will be next year. And trying to determine or predict what amount of resources we're going to have has a direct impact on our negotiations with our associations. [LB640]

SENATOR HAAR: You made an interest...and this is not an accusation. You said, I really...or something to this effect, you don't understand all the facts about TEEOSA. You have a separate...your assistant superintendent is really the expert. Is that correct? [LB640]

STEVE JOEL: In our office, yes. I mean he would be somebody that works with the formula on a daily basis. [LB640]

SENATOR HAAR: And who would have to do that then in smaller school districts? [LB640]

STEVE JOEL: Well, I think the state has...provides resources for that. I know there's a great director of school finance in Lincoln that we and smaller districts we've relied a lot on. I think there's...I think, at least looking back again in previous locations, we felt like we had plenty of opportunities to attend learning sessions to learn about that. [LB640]

SENATOR HAAR: Thank you very much. [LB640]

SENATOR SULLIVAN: Senator Seiler. [LB640]

SENATOR SEILER: I just kind of need guidance. I know you've been in a different school district so you've got a better...a good perspective of middle-size schools and large schools. What is better for the school system--a level total dollars coming to you,

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whatever that number is, or the formula where it bounces back and forth? Or the question I have then is a follow-up, so you know where I'm going, is would you be better off having a floor and then ride above and below as a separate funding mechanism? Do you understand what I'm talking about? [LB640]

STEVE JOEL: I think so. Let me take the first part of that, first. I don't think there's any way...I was in a camp prior in my career of thinking, okay, why can't we just take the number of students times X and that was the amount of money. That doesn't work because the needs vary so greatly. So there have to be factors in a formula, and I think most states acknowledge that. And I think that's what makes it complicated, you know, because those needs do change. And then when you put into the mix what a local effort rate should be, you know, how and what's that tax base comprised of that we're drawing on? I mean that creates a different level of conversation as well too. So it's very, very difficult. And, you know, I want to acknowledge my appreciation for what you're trying to do because it's not easy work. Now the last part of that question which was...did I answer that? [LB640]

SENATOR SEILER: Well, I'm...of which when the economy is good you would get better money and then when the economy is bad you get less money, but you have a floor... [LB640]

STEVE JOEL: Yes. [LB640]

SENATOR SEILER: ...that doesn't change except for a cost of living. [LB640]

STEVE JOEL: Yeah, I think that floor would be very, very important for us because we...every one of us acknowledge that when times are difficult it's going to be difficult for us as well too. Our teachers' associations acknowledge that. You know, as we're looking at expanding staff or bringing in further interventions or increasing programs, you know, we have to acknowledge that as well too. But, you know, we came through a recession and all of us had to tighten our belts and look at our, you know, how we were spending our dollars. I'm very, very proud of what Lincoln has been able to do with that in the last couple of years and still maintain some semblance of progress. [LB640]

SENATOR SEILER: I was just wondering for purposes of planning, that would be a very important part of leveling out... [LB640]

STEVE JOEL: I believe it would. [LB640]

SENATOR SEILER: ...rather than riding the crest. Thank you. [LB640]

SENATOR SULLIVAN: Any other questions? Thank you, Mr. Joel. Hello. [LB640]

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LIZ STANDISH: (Exhibit 2) Good afternoon. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h. I work in general administration for the Omaha Public Schools, and I'm here representing the district today. I would like to speak to you specifically about the need for the basic funding adjustment so that's what I'm going to spend my time, but I'd be more than happy to answer any questions that you have. What's being distributed right now is a chart that charts the ten largest school districts in the state, their basic funding per student compared to the statewide average per student. And as you can notice, there has been a drop from in 2008-2009, the ten largest school districts in the state, their average was within 95 percent of the statewide average. And we've seen a divergence happen where in 2012-2013 the ten largest school districts in the state are only 89 percent of the statewide average. So the concern for school districts that are up against their levy lid have very diverse and high-need students to serve, and traditionally low spending, is that this divergence would continue and the trend would continue. The challenge is when you're in a peer group with school districts knowing that the basic funding calculation is your ten up, ten below. For school districts like Omaha, that's just ten below because you don't have ten up, and so you have this narrow spread of school districts that you're working with who are all up against the \$1.05 so they cannot grow revenue. A lot of these school districts, and even in testimony today, have talked about fairly flat property value growth. The Omaha Public Schools had a decline in our total property value from 2011 to 2012. So when you do not have revenue to increase, you get locked in with peers who don't have revenue to increase. So the concept of the basic funding adjustment is to say it's the state's obligation to look at the fact that you're locked in and you don't have the revenue to grow and to look at the difference between your peer group and the average, your individual school district and the average, and make up a portion of that difference to give you a small boost so that you might be able to grow your revenue and increase resources to serve school children. So this is very unique in your high-taxing high-needs school districts that are in a small peer group that are also in a similar circumstance, you see this cycle continue. We are heavily reliant on state aid. We're heavily reliant on where state aid goes and what state aid does. Over the past five years, from 2008-09 to 2012-13, the Omaha Public Schools has 182 less FTE on general fund with 2,509 more students. So class sizes have increased and the reductions in state aid have impacted the school district. On the flip side, we're growing in students so we are a part of opening two new schools. And we are working very hard to meet the needs of our very diverse population. But my primary purpose today was just to articulate to you the need for the basic funding averaging element. If you take the top ten school districts in the state as far as student population and if you would compare them to the other 240, so if you do that comparison, it becomes even more dramatic. You would go from 90 percent of the statewide average down to 81 percent of the statewide average. So I just wanted to bring you some ideas and facts from our perspective today as to why that basic funding adjustment is such a critical element for you to consider in any bill that you put forward to the floor. And with that, I would answer any questions you have. [LB640]

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SENATOR SULLIVAN: Thank you, Liz. Senator Scheer. [LB640]

SENATOR SCHEER: Thank you, Senator. Can you explain to me what the scenario you just painted for Omaha is different than, for example, looking at...we had someone talking about Humphrey earlier. Although they have tons of valuation, because of their expenditure limitation they can't access it either. So to a certain extent aren't they locked in that same situation where they can't, you know, they can't exceed their spending limitations any more than you can? So you're asking for the state to pick up some additional funds on behalf of yours. Would you see an equitable offset to that is to let those districts that have additional valuation that they are not utilizing, having some type of authority to utilize that, because they don't have state aid, they're unequalized? [LB640]

LIZ STANDISH: I think your question hits to my very point, which is I think from a policy perspective we're all very concerned about where we don't want to create two Nebraskas. And so in Omaha, for example, I can't do anything because I don't have the revenue and Omaha Public Schools has about \$60 million of unused budget authority because we don't have the revenue to spend that additional budget authority. So on the flip side, and I don't work in Humphrey so I don't speak to know their...but in theory the issue is they could access more revenue but they don't have the budget authority to spend it. So it's my side is a revenue issue where that's the exact opposite extreme, which is a spending authority issue. And I know that when the state aid formula went from what used to be a kind of sequenced scaling of budget authority, like for Omaha that was a challenge because our needs would outpace the state. Where now like a Humphrey, if they're not growing in students, their needs might not be growing; so they are locked in to the 2.5 percent growth or whatever the basic allowable growth rate might be. So I think that is something that as a committee you'll have to really grapple with is we don't want a child's zip code to really be the only factor that determines their educational experience. And so it is a policy question absolutely. And I think you have two levers. You have school districts where revenue is an issue and school districts where budget authority is a real issue. And in partnering with other school districts in conversations over the last six to eight months, I really understood that budget authority truly in some circumstances that is holding the school district from growing or investing. It's a tough circumstance. [LB640]

SENATOR SCHEER: Thank you. Thank you, Senator. [LB640]

SENATOR SULLIVAN: Senator Davis. [LB640]

SENATOR DAVIS: You say you're up against the \$1.05 lid. Is that correct? [LB640]

LIZ STANDISH: Um-hum. [LB640]

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SENATOR DAVIS: Have you ever considered an override election? [LB640]

LIZ STANDISH: We do. We also have facility needs, I mean, so absolutely that is something we would have to look... [LB640]

SENATOR DAVIS: But have you done one of those? [LB640]

LIZ STANDISH: We have not had an override lately, no. [LB640]

SENATOR DAVIS: But you could do that and you would be able to access revenue if you did that. Correct? [LB640]

LIZ STANDISH: Correct. [LB640]

SENATOR DAVIS: Thank you. [LB640]

SENATOR SULLIVAN: Senator Kolowski. [LB640]

SENATOR KOLOWSKI: Thank you, Madam Chairman. Ms. Standish, just wanted to ask you a question from a slightly different perspective. Of the districts you've chosen to list here on your chart, what is the grand total of the student numbers in those ten districts? Do you have that at the top...? [LB640]

LIZ STANDISH: It's about 53 percent of students statewide. [LB640]

SENATOR KOLOWSKI: In the state... [LB640]

LIZ STANDISH: Um-hum. [LB640]

SENATOR KOLOWSKI: ...53 percent. Thank you, appreciate that. [LB640]

SENATOR SULLIVAN: Senator Haar. [LB640]

SENATOR HAAR: Thank you. When you talk about the basic funding per formula student, I'm trying to understand all the levels. Are we talking about the Nebraska public school funding which includes federal funds or just the state funding or the TEEOSA funding? [LB640]

LIZ STANDISH: This is only the column in the TEEOSA funding that falls under basic funding. So basic funding is when you've pulled out the poverty allowance, you've pulled out the English language learner allowance, you've pulled out instructional time, teacher ed; so at its core, this is how we fund schools. So it's only the column when--and I know you're very seasoned in looking at the TEEOSA models--this is only the column for

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basic funding. It would be the total statewide and then the total formula students statewide. [LB640]

SENATOR HAAR: Okay. So it's really not the whole funding per student. [LB640]

LIZ STANDISH: No, no. It's...and that's the element of the formula that Senator Hadley is proposing to address in his bill is for school districts like Omaha where we have a smaller span of districts because it's only the ten below, you can get caught into this low-spending, high-taxing cycle. And it was an element that the averaging adjustment came in, and I think we all reached agreement, the comparison someone in Omaha statewide did not make sense because we do get economies of scale. But the 900 or greater seems to be a reasonable approach for you to consider. [LB640]

SENATOR HAAR: Do you know, would this graph be at all similar if we just looked at spending per student compared to the average? Maybe that doesn't make sense. [LB640]

LIZ STANDISH: But one chart that's really interesting that NDE does put out that would probably be fair to look at would be adjusted GFOE, adjusted general fund operating expenditures, because then you are pulling out the differences for poverty for English language learners, and that is an indicator of spending. And I believe it ranges from let's say a \$20,000 number to...Omaha is normally pretty close to the bottom or the bottom five at \$6,700 to \$7,100. So that would be a spending side of this story that you could look at. [LB640]

SENATOR HAAR: Could you send that to me so I don't have to find it? [LB640]

LIZ STANDISH: Sure. You bet. I'd be happy to. [LB640]

SENATOR HAAR: Okay. Thank you. [LB640]

SENATOR SULLIVAN: Senator Davis. [LB640]

SENATOR DAVIS: I just have a question about the graph. So these...how are these figures determined? Is this we take the whole cost of education all across the state of Nebraska and then divide it equally by the number of districts, which is 249, or the number of students in the district? [LB640]

LIZ STANDISH: This is only representing the sliver of the bill that the basic funding adjustment addresses. And so... [LB640]

SENATOR DAVIS: I understand, but can you help me with my question? [LB640]

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LIZ STANDISH: Yeah. So the only part is Omaha Public Schools in the state aid formula would receive \$7,000 per student for basic funding. And so you have the individual dots for each of the ten school districts and then you have the total for the full state divided by the formula students for the whole state. [LB640]

SENATOR DAVIS: So looking at this average across the state at \$7,600, that would be divided...that would be times every student in the state. [LB640]

LIZ STANDISH: Um-hum. And that would... [LB640]

SENATOR DAVIS: That wouldn't be by every school district. You see what I'm trying to get at? [LB640]

LIZ STANDISH: Right, right. Yeah. No, it's an aggregate of all school districts in the state and all children in the state. [LB640]

SENATOR DAVIS: But you say 53 percent of the students are in these lower ten schools. [LB640]

LIZ STANDISH: Um-hum. [LB640]

SENATOR DAVIS: And so where are the...how could the other 47 percent be so drastically much higher that it would kick that up by \$400 per student? [LB640]

LIZ STANDISH: Economies of scale is a big part of it, it really is when you have smaller school districts operating versus larger school districts. I mean, I fully own that this represents where you have dense populations, school districts that can use larger class sizes to meet budget parameters which smaller school districts can't, so. [LB640]

SENATOR DAVIS: Okay. Thank you. [LB640]

SENATOR SULLIVAN: Any other comments? Senator Haar. [LB640]

SENATOR HAAR: Yes, one more. One more. Just talking about sort of these two options which just personally I'm calling pick winners and losers to get at the amount versus the factor method that Senator Hadley is proposing where everybody takes some of the pain. Does OPS have a preference on one of those? Do you see either one of those as an advantage to you as an administrator and then to the district as a whole? [LB640]

LIZ STANDISH: The most important tenet of TEEOSA for the Omaha Public Schools is equity. Equity is very, very important. We believe that children need that equity and opportunity. So I would think about as I judged each model that came out which most

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upholds the pillar of equity, which is one of the E's in TEEOSA. I mean, that's how I would judge it. So it'd be hard, it's hard to differentiate the two from that perspective, but that's what drives all of our conversations in our school district is what's the most equitable for children. [LB640]

SENATOR HAAR: Okay. Thank you. [LB640]

SENATOR SULLIVAN: Any other questions? Thank you, Liz. Hello. [LB640]

JASON HAYES: (Exhibit 3) Good afternoon, Chairwoman Sullivan and members of the Education Committee. My name is Jason Hayes, J-a-s-o-n H-a-y-e-s, and I represent the Nebraska Education...NSEA, State Education Association. And I'm here with Larry Scherer who will also be testifying with regard to the statistics. In order to provide a historical context, in 2010-11 fiscal year, state aid to education was \$950 million. Currently, it is \$852 million for the 2012-13 fiscal year. When this appropriated amount is compared to the \$1.13 billion required to actually fund the school needs formula, it represents an underfunding of \$278 million. As a result, school districts have had to increase class size, cut programs and supplies, reduce staff, and raise local property taxes in order to try and maintain their ability to provide every child with a quality education. This committee makes policy decisions that directly impact the education of children across our state. It is reassuring and appreciated that the Chair and other committee members have indicated their commitment in working together to increase funding for state aid to education in the next biennium. Even with that commitment, it is apparent that the committee does not believe it is possible to fully fund the formula needs as currently defined. As changes are to be made, NSEA supports the strategy included in LB640: A temporary aid adjustment for scaling back formula need, the income tax rebate, option enrollment funding, and the needs stabilization factor. Our preference is to allow the formula to work as was planned under current law with relatively few adjustments to the working components of the formula. This is because adjustments within the formula itself can interact with other pieces of TEEOSA, and as newer data becomes available, it can lead to unforeseen consequences. For example, the cost growth factor is based on the basic allowable growth rate used to limit growth of school district budgets for the upcoming year. Reducing the allowable growth rate limits the growth of about one-half of school district spending. Typically those districts are not receiving equalization aid and are not heavily dependent on state aid. NSEA encourages the Education Committee to use a relatively simple measure for reducing the state aid amount this year and to conduct an interim study of the overall funding mechanism contained in TEEOSA, with an eye to creating a predictable and workable mechanism for ensuring the amount of state aid that is in line with budget priorities, property tax valuations, and student needs. Substantive changes in the formula can then be made in the out years in order to give school districts a better chance to plan for anticipated state aid modifications. Thank you for your efforts on behalf of students and our public schools. [LB640]

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SENATOR SULLIVAN: Thank you. [LB640]

LARRY SCHERER: Yeah. I just want to briefly speak to the handout that the chart... [LB640]

SENATOR SULLIVAN: Would you give us your name then? [LB640]

LARRY SCHERER: Oh, I'm sorry. Yes. My name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'm with the Nebraska State Education Association. I can tell I need to move closer to the mic. This chart just shows over a ten-year period what the funding would have been in the law was not changed. And Senator Avery conveniently points out that fully funding is what the law is eventually or is it what the law is before it's changed. This just compares the two over time and shows the funding gap between those two figures. And as Jason mentioned, for one year where it dropped a significant amount partially due to the federal funding, overall if you look at a ten-year average, it was a significant amount. I've done a similar chart just comparing the percentages, and state aid would have grown about 4.4 percent if the formula hadn't been changed every year--except for one I believe, two years ago it did not change--versus 3.3 percent. So we've still had...compared to Kansas, we've had healthy increases but we haven't had as much of increase as we would have had if the formula wasn't changed. We agree with the people who have said it's better to ration the amount of money based upon a factor which is predictable across the board for everyone, and then make the formula changes based upon policy considerations. Thank you. [LB640]

SENATOR SULLIVAN: Thank you both. Questions for...Senator Haar. [LB640]

SENATOR HAAR: Okay. When I joined the Education Committee, I believed in autopilot. But listening to Senator Krist enough now up in the Chamber led me to realize that unless you have a good program in the autopilot, it's not going to fly the airplane either, and there are times you have to take over the tiller because autopilot just doesn't fix it. So I don't believe in autopilot anymore. But I don't believe much anymore of just keeping messing with the formula until we come up with a number. So you're suggesting then that we work on the formula slowly. Would that be correct or... [LB640]

LARRY SCHERER: Yes, yes. LB640 approach for reducing the amount of funding for this year, and then work on the formula more slowly and look at each factor individually and see how they all fit together as opposed to making those changes to reduce state funding which leads to some pretty interesting interactions. [LB640]

SENATOR HAAR: But wouldn't you hope that sometime in the future we could work with that formula so that it comes pretty close to what the Legislature has to spend? [LB640]

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LARRY SCHERER: Yes, I think so. One of the things that we've talked to the Fiscal Office about: typical state funding growth, typical school district funding growth. And so if you look at factors that try to match the two as much as possible over time and perhaps create a reserve that addresses that, that should help to get to that point. We'll never be in a place where we...you know, you can predict exactly and there will always be need for making midcourse corrections as you need to do. So that's reality. [LB640]

SENATOR HAAR: Just a 15-second speech. My goal would be eventually some day to reach, maybe to have an education trust fund where in the good years you put money in, in the bad years you take it out. And then you keep working on the formula to meet kind of that average that really talks about the needs. And then challenge the Legislature to fully fund in that setting, so. [LB640]

LARRY SCHERER: It's a good goal, very good goal. [LB640]

SENATOR SULLIVAN: Senator Scheer. [LB640]

SENATOR SCHEER: Thank you, Senator. Larry, just out of curiosity, and maybe you don't know the answer, but in your graph it's taking each subsequent years, then, rule. So consequently it really is sort of skewed a little bit because each year it's got a new base, and so it goes from the previous one. Utilizing the 2003-04 base, have you looked at what the state aid would be this year based on that formula? [LB640]

LARRY SCHERER: Based on what the 2003 formula was? [LB640]

SENATOR SCHEER: Yeah, because I'm just saying your amount needed to fund the school formula, well the formula as you noted has changed... [LB640]

LARRY SCHERER: Yeah. I understand what you're saying. [LB640]

SENATOR SCHEER: ...dramatically over the years. And, you know, we hear a lot about fully funding it. But what would it be for this year if we were still using the 2003-04 formula? I'm just curious where we might, you know, fall into place with that. [LB640]

LARRY SCHERER: I have not done that. That's an interesting idea. It would take probably a request to the department to run that, but the factors, the information should be there since it's grown more complex since then. [LB640]

SENATOR SCHEER: Well, maybe somebody else here might testify later; we could ask them, so. [LB640]

LARRY SCHERER: I hope so. [LB640]

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SENATOR SCHEER: Okay. Thank you. [LB640]

SENATOR SULLIVAN: Any other questions? Thank you for your comments. [LB640]

JASON HAYES: Thank you. [LB640]

LARRY SCHERER: Thank you. [LB640]

SENATOR SULLIVAN: Welcome. [LB640]

MARK ADLER: (Exhibit 4) Good afternoon. My name is Mark Adler, and that is spelled M-a-r-k A-d-l-e-r. Good afternoon, Chairwoman Sullivan and members of the Education Committee. I am honored to...my name is Dr. Mark Adler and I'm honored to serve as superintendent of the Ralston Public Schools. I appreciate the opportunity to appear before you today to speak on behalf of the students, the staff, and the Ralston community. I appear today in support of LB640. Last fall, I spoke to this committee during consideration of LR492 and began my comments by saying that Ralston Public Schools has always viewed our relationship with the state and also with this committee as a partnership, and I believe that's really important. Further, I stated that equalization is a paramount principle in the Tax Equity and Education Opportunities Support Act or TEEOSA, which we've been talking about for quite some time this afternoon. Equalization was the goal when TEEOSA was first established and equalization should be the goal today. This is the reason I appear before you in support of LB640. We believe it is a plan that provides equal treatment to all districts across the state and recognizes the diverse needs districts have in Nebraska. I think that's an important thing. We've talked about that already a lot this afternoon. But funding education, the TEEOSA formula is complicated, but I also think addressing student needs across Nebraska is complicated, and most certainly all students in Nebraska are really important. We believe LB640 is the result of a lot of hard work and collaboration among many groups and people over the last several months. I'm not going to spend a lot of time talking about the details of LB640. I think you folks have heard those things. And if there's questions at the end, I think I can hopefully try to answer those as well. It is the position of the Ralston Public Schools and of our board of education that this bill presents the fairest, most equal way to distribute aid in Nebraska. When I spoke last fall, I indicated that we believe that given the opportunity, the TEEOSA formula works. The TEEOSA formula is very complex, as many have said, but so is the task of educating students in rural and urban Nebraska. A one-size-fits-all approach in such a diverse state is simply not a good idea. LB640 would allow the formula to remain intact but just reduce the amount of aid distributed to school districts via the temporary aid adjustment when need arises. We have made difficult decisions at Ralston Public Schools. Over the last several months, our board of education, administrative team, and also teachers have worked to develop a fiscal revitalization plan to ensure the fiscal

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health of the district while also keeping a focus on our guiding principles of achievement, character, and technology. Today, I speak with optimism that we will ensure our fiscal health as a district. But I'm also sad and disappointed and also somewhat angry that tonight I'm going to submit a plan to the board of education that recommends the reduction of over 40 teachers and support staff in the Ralston Public Schools work force. Yes, there will be 40 less employees, at least 40 less employees; and the needs of the Ralston students will still remain. In all of this, we have remained transparent and been committed to high levels of empathy and integrity to our employees and also to our community. I want to thank you very much for your time and service. I know you guys have a really tough job. And I ask that you consider LB640 as you move forward. And with that, I would try to answer any questions that you might have. [LB640]

SENATOR SULLIVAN: Thank you, Dr. Adler. Questions for Doctor? So those reductions in staff that you're experiencing, are they coming from certified teachers or where are the cuts coming? [LB640]

MARK ADLER: Across the board. Some teachers, some paraprofessionals, support staff, maintenance. It's a global effort. And the fiscal revitalization plan is just that. It looks at our school operations globally. We've been really working hard on trying to trend out what our revenues might be, and obviously TEEOSA is a big part of that. So what I can say is all of our programs are strong and they're going to stay that way. But any type of aid that we can get to help our students not only in Ralston but all the way across the state is really important. That's why I say you guys have a tough job; and just to reiterate, you know, the formula is really complicated. But I also think...I had the pleasure of serving in Elgin, Nebraska, which is rural, and their operation is a lot different than Ralston, Nebraska. But what I also know and in all those places is the students are as important as they are any place, and so that's what makes this job hard, so. [LB640]

SENATOR SULLIVAN: Very good. Thank you for your testimony. [LB640]

MARK ADLER: Thank you. [LB640]

SENATOR SEILER: Mark, I bring you greetings from Greg. [LB640]

MARK ADLER: Great. That sounds good. Thank you. [LB640]

SENATOR SULLIVAN: Any other proponent testimony? Any opponent testimony? Anyone speaking in a neutral capacity? [LB640]

JIM GESSFORD: Madam Chair, members of the committee, my name is James B. Gessford, J-a-m-e-s B. G-e-s-s-f-o-r-d. I'm an attorney in Nebraska. I'm appearing here

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today on behalf of myself as a concerned citizen. And I really have one purpose. I've been doing education law in the state of Nebraska for the last 35 years. In those years, I have been involved in one way or another either in the direct defense or the handling of most of the education finance cases that have been brought in the state of Nebraska all the way back to defending several Supreme Court decisions on the nonresident high school tuition funding in the state, defending the state's affiliation funding mechanism, all the way to the Omaha litigation which was brought and which I represented Lincoln Public Schools on behalf of the state in supporting the funding formula, to recently representing five of the Omaha...or seven of the Omaha metro area schools in the Learning Community litigation. My purpose here is one, is that you have in front of you and really my testimony applies to all the bills, more than one piece of state aid legislation. Several years ago, we might not have known, but it is pretty clear now at this point as a result of the small schools decision which we call the small schools case by the Nebraska Supreme Court that...and the reason I'm testifying is that I get through my contacts that there are quite often threats of one bill versus the other, that you can't approve this one because there will be some kind of lawsuit or some kind of litigation or you can't approve that one. What I'm here to tell you is that it is purely a policy decision on your part and that really people can threaten. Can someone sue? Sure, they can sue. Anybody can sue. But it's very clear the law in the state of Nebraska based on the wording of our constitution, and I'd just quickly try to read through three of the head notes from the Nebraska Supreme Court. The Legislature's authority to provide state aid to schools is not subject to the judiciary's intervention. Made very clear by our courts that this is a policy question on your part. The relationship between school funding and educational quality requires a policy determination that is clearly for the legislative branch. And so my goal, having represented many school districts in the state of Nebraska, is for you to make the tough calls, the fair calls that you've talked about today based on your best statewide policy choices. Certainly do not make those calls on the basis of any claims or threats of litigation problems or litigation. I'd be happy to answer any questions. [LB640]

SENATOR SULLIVAN: Any questions for Mr. Gessford? Thank you very much. [LB640]

JIM GESSFORD: Thank you. [LB640]

SENATOR SULLIVAN: Any other neutral testimony? Senator Hadley to close. [LB640]

SENATOR HADLEY: Chairman Sullivan, members of the committee, I just want to say a couple of quick things because I know you have a lot more to do. One, with nothing better to do yesterday, I actually went back and reread "School Finance 101: Understanding State Aid" by Mark Shepard. Still as confused as ever, (laughter) but I will try and work through that. I'm going to do away with my prepared closing. Four of you sat in this body our first year, 2009, and I believe it was that year where we had a senator from a large district that held up the school aid formula by arguing on the floor.

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Had enough sway that the committee was forced to go back, redo the formula, and make it more favorable to that person's district. I don't know if you remember that. I kind of led the fight against that and had a few scars on my back from that particular instance. But that was an instance where we weren't arguing about the amount of the formula; we spent all our time arguing about the division of the formula. And I hope that we take away from this, to me there's two parts to this bill. The one part says, yes, you can change parts to the formula. I'm saying you can change the averaging adjustment. If you have an appropriate reason that the body says that's an appropriate change to the formula, we should make that change. I don't think an appropriate change is to make it fit. I think appropriate change is what we talked about, the reason I gave for changing it. The second part of the bill is the mechanism to make the formula fit what we have to spend. And to go back, and I think it was Senator Avery who talked about fairness, I think this is a fair way to do it. So when we get to the floor with this bill, I hope we don't have arguments of whether this is a fair way to bring it from X dollars to Y dollars. But I think it's appropriate to have a discussion on the averaging adjustment. Is that an appropriate change to the formula that is not designated to help one group or hurt another group? Does it have an appropriate policy reason for making that change? So I think you have a bill here that you can incorporate into the other things that you're probably going to be looking at that will make I think TEEOSA easier for the people in the body to understand, the schools to understand, and the citizens to understand as to how their schools are being funded. With that, I would be happy to answer any questions. [LB640]

SENATOR SULLIVAN: Any questions for Senator Hadley? [LB640]

SENATOR HADLEY: Thank you. [LB640]

SENATOR SULLIVAN: Thank you. [LB640]

SENATOR HADLEY: I appreciate it. It's always fun to come to the Education Committee. [LB640]

SENATOR SULLIVAN: (See also Exhibits 5 and 6) I would like to read into the record that there is one other additional letter to be read into the record on a neutral capacity: Mike Dulaney with the Nebraska Council of School Administrators. [LB640]

SENATOR SCHEER: We will now move to LB407; and Senator Sullivan, welcome to that side. [LB407]

SENATOR SULLIVAN: Thank you, Senator Scheer, and thank you, members of the Education Committee. My name is Kate Sullivan, K-a-t-e S-u-l-l-i-v-a-n, representing District 41 in the Nebraska Legislature, here to introduce to you LB407. And, you know, when I look at funding of schools in our state, I always start with our constitutional

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responsibility. And it's been referred to also today, but I will remind you again, the first section of Article VII, the education article, commands that the Legislature shall provide for the free instruction in the common schools of this state of all persons between the ages of 5 and 21 years. And I think if you remember, too, when we had our earliest conversations as a committee, I reminded you that even before Nebraska was a state, the responsibility to fund education has been shared between local and state sources. And the premise that we've been operating on in terms of the state's responsibility with respect to that has been the bill that was passed in 1990, LB1059, which is the TEEOSA bill from which we still operate, the Tax Equity and Educational Opportunity Support Act. And in its simplest form, it is needs minus resources equals equalization aid. And just as school funding has been continually revised throughout the state's history, we continue to study and revise the state aid formula to improve it and make it fit within the current circumstances. And, as has been mentioned several times and I can't help but add to it, we do always fund, fully fund the formula, making changes to its features depending upon what the current economic conditions may require. And along those lines, the Education Committee spent a great deal of time in the interim discussing the pros and cons of the current formula and particularly how the formula should fit into the state's transition out of the recession as the controls limiting growth are scheduled to come off. The basics of the proposal that you have before you are a result of the work that we've done over the interim where we held public hearings in Gering, Gothenburg, Albion, and Gretna. So to tell you a little bit about the elements of the bill: First of all, if I were to identify two of the biggest drivers in terms of funding for LB407, and for that matter for the state aid formula in general, it would be the two following items: the basic allowable growth rate, the rate which we're saying schools districts can grow their budgets; and the local effort rate, the amount the formula is saying that a district should exact from local property taxes. Raising the basic allowable growth rate and lowering the local effort rate potentially add state aid to the formula. Now what does LB407 do? Well, first of all, the basic allowable growth rate right now in 2012-13 is .05 percent. Under current statute for the upcoming 2013-14 fiscal year, school year, that would bump up to 2.5 percent. But under LB407, I'm recommending that it goes for the 2013-14 school year to 1.5 percent. And then in 2014-15, and thereafter, it would go up to the 2.5 percent. With respect to the local effort rate currently for this school year, it is \$1.0395. Under current statute, it would bump up for the next year to \$1...or drop down, I should say. What I'm suggesting for the 2013-14 and 2014-15 school years, it would be at \$1.03. And then 2015-16, drop down to the \$1, and thereafter. In addition, it has been mentioned that...and also we studied this in our public hearings over the summer, we are proposing to eliminate several allowances and adjustments. We would eliminate instructional time allowance, the teacher education allowance, averaging adjustment, and the local choice adjustment. With respect to instructional time and teacher ed, both of those have been very unstable because they operate on moving averages, and so they change significantly, potentially from year to year. And I might add, with respect to instructional time, that's been plagued by measurement issues. With respect to teacher ed, when it was put in originally, it was

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designed for districts that had large numbers of master's degrees that were being acquired because the district was close to a college. Well, now distance ed allows easy access to graduate programs for teachers in all districts. So it's not becoming so much of an exception for particular districts. And it does raise the question if the formula should be used for incentives or simply for unavoidable costs. And with respect to the averaging adjustment, no district qualifies for the averaging adjustment for the 2013-14 under current law nor is it likely that any district will qualify for it in the near future. Local choice adjustment I'm recommending go away. And basically originally that was put in place and it said to small districts, if you are small by choice, the state will not help you as much. This was actually viewed as punitive for some small districts. I prefer to approach this in terms of the funding formula as looking at how best we can serve all of our children in all the districts as they are no matter where they are. The other thing that we are eliminating is the double counting of expenses that are counted toward the summer school allowance and other allowances. And another item we're dealing with in LB407 has to do with early childhood grant programs and the continued funding of those programs. There continue to be many schools that are taking advantage of these grants funds, which by the way are expenditures outside of the budget lids; and these early childhood programs are very good. But once the three years of the grants run out, the children membership moves into the formula. What the feature of LB407 does is it tells school districts you can continue to have that budget exception in the amount of the prior year grant that you receive for the early childhood program and you can grow it by the basic allowable growth rate; and, furthermore, these expenditures will be included in the budget for the calculation of future budget limitations. These are the main features of the bill. In addition, there are several items that are technical revisions in nature and as well as there are steps in the bill to eliminate obsolete language. With these changes you may have noticed that the fiscal note indicates that there will be a 7.4 percent growth in aid for next year and a 5.7 percent growth in aid for the following year. That's as opposed to what would happen under current statute, which would be 11.2 percent increase for the '13-14 year, and 6.1 percent increase for 2014-15. I also know that everybody wants to know how these details impact the school districts that they represent. I really wanted to hold these hearings on the concepts, on the policy issues presented in the various bills before we went down the path of modeling, because in my estimation that's a better way to make policy. Had you had printouts in front of you, you would simply keep focused on which districts are gaining or losing under the proposed changes. Modeling will be done, but I think that's a decision that this committee needs to make. And I will also tell you the Department of Education stands ready to help us do that; but modelling takes time. And when you add different dimensions of it, that may involve some additional programming on their part. So that's just something to keep in mind. I think it's important also to bring in and put in context the job that we have to do in light of the state fiscal situation. We do, after all, what our Governor says in that we don't spend money we don't have. Current law would dictate an 11 percent increase in aid for this coming year, as I said, and a 6 percent increase in the second year. And I will be the first to say I'd love to do that, but there's reality involved. The economic

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growth that fuels the state budget suggests a 4.5 percent growth. But actual growth available for spending increases and new spending proposals is only at about 2.5 to 3 percent. I also need to caution you on some obligations that we put in place last legislative session; namely, LB84, the roads funding, and the income tax cut. You combine those two and that immediately takes \$90 million off the table for the first year and approximately \$130 million in the second year of the biennium. We're also anticipating some additional expenses with respect to healthcare reform. And that right off the bat expects to take another \$15 million the first year and \$25 million the second mainly to care for citizens who are already eligible and not accessing services, but who will be able to with the insurance mandate. And then another ironic thing is that because our state is doing so well, the federal government says, well, you've got to up your Medicaid rate match. And so we're looking at an approximately \$20 million in each year of the biennium to deal with that. Another thing that's not included in this analysis that we'll probably be dealing with in the body is the Medicaid expansion. And then I'd be remiss if I didn't mention teacher retirement. There are several moving parts in that arena, which, by the way, is an enormous cost for school districts. There is a retirement bill--it's not coming before us, it's going to be in the Retirement Committee--that significantly proposes to change some components of the retirement package for teachers. And tomorrow, you're going to hear a bill from me that has to...that talks about how the retirement package could conceivably be intertwined with the state aid package. TEEOSA comprises approximately 25 percent of the state budget. And as you can see with all our other commitments, at the projected 11 percent growth, TEEOSA would consume all the funds available for spending growth and new spending authorities. Well, we've got that dose of reality, but you wouldn't be in this part of...in this committee if you didn't care about education and the recognition of the fact that school districts still have needs and they have growing needs and they have pent-up needs. All four years I've been here, we've had to control the growth of state aid because of the deep recession in our nation and also our own state budget shortfall. And I know it's been challenging for districts. And in some respects, it seems like it's even...that we've even been harder on schools than other political subdivisions. With a base limitation rate for all other subdivisions has remained at 2.5 percent, but you know what we've done with the budget limitation for school districts. So I recognize that we have to give some additional help to our school districts. We have to give them additional budget authority, but the reality is we can't do it all. You're hearing a total of nine bills this week that would amend TEEOSA, each with a different emphasis. Once again, this bill, LB407, would admittedly reduce aid from current statute, but it still gives districts some ability to grow their budget. And the reason I'm supporting the use of the basic allowable growth rate and the LER to adjust the aid growth is that it's our responsibility as the Education Committee to determine what we believe is a realistic growth for school districts and to reflect that in the formula. The proposal you just heard would declare a certain level of growth as state policy but then not allow school districts to spend to that level. That does not seem responsible to me. By adjusting the basic allowable growth rate, we would be saying to school districts that as the state comes out of the recession,

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there are still going to be realignment pains; and school districts need to do their part by continuing to restrain their spending growth but not as strictly as they've had to do in past years. In addition, by changing the local effort rate, we would be saying with this proposal that we continue to expect school districts to more fully utilize their local resources to meet these needs. Once again, this seems like a responsible approach to really look at the effect that we are having on the school districts and to continue to be a good partner in funding education in this state. Thank you. [LB407]

SENATOR SCHEER: Thank you, Senator Sullivan. Are there questions? Wow. You went through that awfully well. [LB407]

SENATOR SULLIVAN: Makes me nervous. (Laughter) [LB407]

SENATOR SCHEER: We will now entertain comments and testimony from those that are proponents of the bill. [LB407]

VIRGIL HARDEN: (Exhibit 1) Good afternoon, again. Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n, executive director of business for Grand Island Public Schools, and again starting off talking a little bit about the work that the statewide group of districts that reviewed TEEOSA. Exact same handout that I gave you on LB640, I'm also handing out for LB407. The reason being is that the components in both bills are addressed in our consensus data that we have for you, the first couple of pages. And then again the next part is just the itinerary of all the meetings that we did to reach to that consensus. With that said, the committee when they conducted their hearings, and I think even beforehand in the summer when we started our work, was very clear about some goals that you'd established about equity and sustainability, predictability, and simplicity of the formula. And to that end, I think LB407 does indeed try to accomplish that. Grand Island Public Schools simply feels that the best scenario--short of fully funding the formula, whatever that might mean to you--is that a combination of LB640 and LB407. And that combination would be to take the temporary aid adjustment and fold that into LB407 along with the averaging component that we've added in with the basic funding averaging, and not then reduce the cost growth factor and not increase the local effort rate. We believe a temporary aid adjustment so that the...basically what we're saying from Grand Island Public Schools' view, making the changes that are outlined in LB407 for the allowances and the adjustments that are laid out in the bill seemed reasonable and prudent based on our dialogue with our peers across the state. We've had what we've tried to engage in as an open, honest dialogue with our peers across the state concerning these elements, things like the instructional time allowance are wrought with reporting errors and just calculation issues. It is simply a fact that when the committee, when the state, when the Legislature, puts in these components into the formula, school districts will act in their own best interests from year to year to try to maximize the resources that they receive. Quite honestly, that's what in part I'm paid to do. So it's normal, natural, predictable behavior. And I encourage the committee to think about

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those things as they consider eliminating these components or adding them or changing them, modifying them. You probably do have certain things that you want to see us spend our money on and try to achieve and try to encourage us, and putting some money behind those goals is probably a legitimate, worthwhile public policy; and so those adjustments and those allowances do indeed do those. Again, Grand Island Public Schools feels that the better way to adjust TEEOSA if you're not going to fully fund it is to spread the pain, so to speak, through a temporary aid adjustment. And we also are asking for some relief on the school districts like Grand Island and Omaha that are the high needs, high taxing--I said I wouldn't say low spending but I'll say it--low spending, fully acknowledging that there is indeed some component of economies of scale so that school districts that are larger can achieve what the smaller districts can't. And we simply need some of the help to get our resources through TEEOSA up so we can have spending on a per-pupil basis that's closer to the average. And so with that, I would conclude my comments. [LB407]

SENATOR SCHEER: Thank you, Mr. Harden. Are there questions? Seeing none, thank you very much. [LB407]

VIRGIL HARDEN: Thank you. [LB407]

JON HABBEN: (Exhibit 2) Good afternoon, Vice Chair Scheer and members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, executive director of Nebraska Rural Community Schools Association, pleased to testify in favor of supporting LB407. It does come out, a lot of the information that we attempted to provide as a collaborative group we see coming through in LB407, and I think that's a very positive thing. A lot of effort went into the attempts to be collaborative, which is probably the first time this has been attempted at this level; so a very positive experience there. I will tell you that LB407, I would...yeah, and I agree with Senator Sullivan, if I could move the LER and the BAGR to where I want it, different schools benefit from the positioning of those in different places. That's just the different circumstances schools find themselves in. After all, we are talking about 249 of them, even though next year the estimate is 106 or 107 to be nonequalized still leaves a lot of equalized school districts. So I would like to see the BAGR improved because we are looking at increased retirement costs. We are looking at the possible increase in affordable healthcare costs. We are looking at those things. And superintendents are asking me where is the growth that allows us to deal with those two issues on top of the rest of the issues. Of course that should be a part of the thought process and the discussion. The LER, if we were to lower the LER, I'm not sure how many schools that would actually pull out of nonequalized status into equalized status. I'm not sure it would be very many. But at the same time, that might draw state aid into rural Nebraska because as you've been aware, the increase in ag land valuations have sent state aid out of rural Nebraska to the tune of millions of dollars these last few years. And school districts out there didn't just lose 5 percent or 7 percent of their state aid; school districts out there lost in many cases all of it. And yes,

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you can say, well, they've got ag land valuation to make up the difference. Go ahead and explain that to all of those folks paying that additional million dollars that they lost or \$2 million that they lost. That money does have to come from somewhere. So that is a concern. I would tell you that the allowances that are being removed, it makes sense to remove them even though our organization represents a number of school districts that get them. There are concerns with instructional time. There are concerns with teacher educational allowance that make them not very palatable as policy allowances in the formula. I'm very pleased to see that the local choice adjustment is being removed. If you are one of the schools that suffers that penalty, so to speak, you do feel a little put upon that somebody is telling you, you shouldn't exist. So that does matter. The sunset of the...or I should say the lack of calculation for systems averaging adjustment, we would simply say we'd rather see those funds across the board in equalization not just limited to a few schools. But we see LB407 as a very, very good policy statement toward an improved formula. With that, I would answer any questions. [LB407]

SENATOR SCHEER: Thank you, Mr. Habben. Questions? Everybody is doing a great job today. [LB407]

JON HABBEN: Gee whiz. [LB407]

SENATOR SCHEER: Either they don't trust me to run the meeting, one of the two. (Laugh) [LB407]

JON HABBEN: Good deal. [LB407]

SENATOR DAVIS: Dr. Habben, how many schools do you represent in the NRCSA... [LB407]

JON HABBEN: I'm sorry, Senator Davis? [LB407]

SENATOR DAVIS: How many schools do you represent in the NRCSA organization? [LB407]

JON HABBEN: We have 171 school districts and 9 ESUs that are members of the organization. That totals somewhere in the vicinity of 70,000 students representing about 86 counties across the state. Largest school is Schuyler, smallest school is about the smallest school. Yes. [LB407]

SENATOR SCHEER: You didn't get away fast enough. Senator Cook. [LB407]

SENATOR COOK: Thank you. I have a question about a statement you made regarding being told that you should not exist. Educate me on what you mean by that and what the perception is that fuels that kind of statement. [LB407]

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JON HABBEN: A lot of history behind that going back probably maybe 30 years. But there have been numerous representations in the Legislature that school districts of a certain size or a certain proximity to other school districts should not exist. They should consolidate with a neighbor, break themselves up, reorganize, whatever it might be, because they were too small and people shouldn't have to pay money for those kinds of things. We even have a free-holding statute that allows people to take their land out of a school that's gotten to a certain small size and go to a neighboring district if that school is in a circumstance for two years. What I think has happened, Senator Cook, is that there's been an assumption that there are school districts that are too small, and if they are within a certain proximity that surely it makes great sense that they close and that they join someone else. Some people have asserted that that saves money for the state of Nebraska. Other people have asserted that it saves the local taxpayer dollar. Others have said, and this is probably the only reason I think I would want to look at it, you might be able to improve your educational offerings to that student group. Typically what we've found is when schools close and consolidate, the savings to the state really aren't there and the savings to local taxpayers really aren't there because you are going to build whatever the resulting amount of education is. So this local choice adjustment appeared to us as we are going to make a negative adjustment in any state aid you receive if you fit certain qualifications of size and proximity. And that negative adjustment obviously was viewed as a penalty, which the next step is that's a punitive measure within the state aid formula that we never thought was intended to be punitive. [LB407]

SENATOR COOK: All right. [LB407]

JON HABBEN: So we objected to that piece of this formula. But it has been about a 30-year-old ongoing discussion of various levels. [LB407]

SENATOR COOK: Okay. Thank you. [LB407]

SENATOR SCHEER: Any other questions? Thank you very much, Jon. Appreciate it. [LB407]

JON HABBEN: Okay. [LB407]

CRAIG KAUTZ: (Exhibit 3) Senator Sullivan, Senator Scheer, and members of the Education Committee, my name is Craig Kautz, first name C-r-a-i-g, last name K-a-u-t-z. I am the superintendent of the Hastings Public Schools. While I also serve as the cochair of the legislative committee of the Greater Nebraska Schools Association, I am not here to represent GNSA. GNSA will weigh in on these matters a little bit later. Strictly as a representative of the Hastings Public Schools, I want to express my support for the advancement of LB407 for consideration by the full body. This bill does extend

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from discussions between educators and legislators beginning in the last legislative session and extending into the fall of this year. While this legislative bill presently falls short of everything my district would like it to address, it represents a collaborative effort between educators and legislators to provide adequate funding for all schools in the state. As such, LB407 should be advanced by the committee to serve as the primary vehicle for discussions about state aid by the Unicameral. LB407 makes a number of appropriate changes to the state aid formula needed at this time. For example, the increase in the basic allowable growth rate provided by this bill is likely more reflective of the real costs all schools will experience this coming year and in the future than the present amount does. In addition, the elimination of a number of allowances and adjustments would seem to impact all schools equitably while decreasing the complexity of the state aid formula. Finally, it would appear that LB407 almost--and "almost" might be a big word here--works within the parameters established in the budget proposed by the Governor. As to whether LB407 should assimilate key components of LB640 or other legislative bills proposed, I leave to the members of the Education Committee and the Unicameral. LB640 is important to consider by the committee because it specifically addresses the needs of schools with the greatest need for state aid. The characteristics of that particular group of schools would include: schools with insufficient property value for the number of students they serve; a General Fund levy consistently at \$1.05 per \$100 of property value; below-average spending without significant economy of scale factors; and above-average number of students with high needs. While I understand the committee might discount my testimony here because I happen to serve a district with the characteristics I just listed, I'm really not trying to be self-serving in raising these schools. As an educator, I know certain students require greater resources to attain a proficiency. This is also true of schools; and, in fact, I believe the schools with these characteristics are the primary reason we have state aid to begin with. In closing, I want to express my appreciation to the Education Committee and to the educators and legislators who participated in the effort to develop LB407. It is my hope that future state aid bills will be developed with similar levels of collaboration and statesmanship. And I would be happy to answer any questions that you have. [LB407]

SENATOR SCHEER: Thank you. Senator Haar. [LB407]

SENATOR HAAR: Yes. You mention here the number of high-needs students. Do you know what percentage of your students are on free and reduced lunch? What is that percent? [LB407]

CRAIG KAUTZ: Absolutely. It runs...it officially runs about 54 percent; unofficial count says maybe as high as 60 percent, Senator. [LB407]

SENATOR HAAR: Thank you. [LB407]

SENATOR SCHEER: Senator Cook. [LB407]

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SENATOR COOK: Thank you. You have in your third paragraph, last sentence, "Finally, it would appear that LB407 works within the parameters established in the budget proposed by the Governor." We're the Legislature and we make the budget and we make the policy, so I guess I don't know why you even put that in there. Would you explain that? [LB407]

CRAIG KAUTZ: Absolutely. While I think that the Legislature does establish the budget ultimately, you have an executive office that works with you and I think perhaps influences the body just as much as the body influences the Governor. And so what I'm trying to look at is the projection that the Governor had for what the state could afford for education. And when I look at the fiscal note for this particular bill, I said it was almost in the realm. I'm off by a couple million there I think or a couple of percentage points, from 5 percent maybe upwards of 7 percent. So I understand there's a difference between the executive branch and the legislative branch on this issue. [LB407]

SENATOR COOK: Absolutely, and the roles of each. [LB407]

CRAIG KAUTZ: Correct. [LB407]

SENATOR COOK: Thank you. [LB407]

SENATOR SCHEER: Other questions by any committee members? If not, thank you very much, Craig. [LB407]

CRAIG KAUTZ: Thank you. [LB407]

SANDRA ROSENBOOM: (Exhibit 4) Senator Sullivan and Education Committee members, my name is Sandra Rosenboom, S-a-n-d-r-a R-o-s-e-n-b-o-o-m. I am the business manager for the Crete Public Schools, and I'm testifying in support of LB407. As a member of the TEEOSA working group described to you by Virgil Harden, I feel this bill most closely reflects the discussions that our group had over the last ten months. Through that process, we came to understand the very distinctive needs of schools of different parts of the state and different sizes. Representatives of the mid- and large-size schools understand that that local choice adjustment needs to be removed from a formula. The element was intended to encourage consolidation of smaller districts, but if that is what the state desires, incentives need to be outside TEEOSA and that would be better than the current punitive approach that is within the formula. In kind, the representatives of the small districts saw the problems that large districts have when their valuation is not growing, the tax levies at a maximum, enrollment is going up, and these schools have no increase in revenue to meet these increased expenses. The basic funding adjustment found in LB640 would help these districts and should be included in some version in the final state aid bill. When it comes

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to state aid, my personal philosophy is that the basic funding needs to be the foundation of the state aid. Then additional factors need to be included to compensate districts for those differences in poverty, English language learners, transportation, and remoteness, which are beyond the control of the district. Once these unique differences are factored into the formula, the state may seek to improve education by encouraging districts to spend more in some area. The committee has to decide if there's a place and the additional funds available for these incentive factors. Decisions must be made on accurate data. Preschool is one incentive that has lots of data showing the benefits for student achievement, and I strongly support that element of LB407. However, instructional time, although it may be worthy to reward that goal, is based on some flawed data and very hard to quantify that particular item. This factor also only rewards schools that are above an average. That, in itself, paying based on an average creates a moving target that takes away the incentive to increase instructional time. The amount of money that the state has contributed to state aid has been almost flat since 2008-09. Increases came at some point from the federal stimulus dollars. The total state aid that the Legislative Fiscal Office projects for '13-14 under LB407 is actually a decrease from what schools received in '10-11 school year when the stimulus funding was ending. LB407 fiscal notes projects a 7.34 percent from the '12-13 number that we currently have. We would ask that K-12 education funding be increased by at least that amount. An underfunded, weak education system has an adverse effect on the economic development of this state from now moving forward. Thank you. [LB407]

SENATOR SCHEER: Thank you. Are there questions? Seeing none, thank you, Senator (sic). Any other supporters, proponents of LB407? Seeing none, we will go to opponents of LB407. [LB407]

KEN FOSSEN: Good afternoon, Senators. Ken Fossen, K-e-n F-o-s-s-e-n, associate superintendent for the Millard schools in Omaha. There's been a number of comments here with regard to adjusting the numbers by using the local effort rate and the basic allowable growth rate, so I won't go into that. What I would like to go into is the elimination of the allowance for instructional time as well as for the teacher education allowance. And as Senator Sullivan mentioned, we'd like to talk about it on a policy basis. If you look at the state aid formula, the TEEOSA formula, there are allowances that are there. And if you look at the allowances, they have something in common. And that is that it is something that is happening in a particular school that has educational value, but it costs more in one school than it will in another. For example, let's take Lexington with a lot of ELL students, a lot of ELL programs, driving up the cost of the programs in Lincoln. But with our state aid formula, we base things on historical spending. So when Lincoln or when Lexington drive...has their cost of ELL programs driving up the GFOE, the general fund operating expenditures, they drive up the average for everyone. Well that would benefit school districts that don't have as many ELL students as you work it into the formula in subsequent years. So in order to compensate for that, the TEEOSA formula says let's take that out of the general fund

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operating expenditures and let's put it in as an allowance so that it actually winds up going back to those school districts who have that particular expense rather than spreading it out over the others. Same thing with regard to poverty. Now we also have for...in LB407 the discussion with regard to the instructional time allowance. There's been some discussion in terms of that's hard to measure. Well, the reason it is, is because of the way it's written. But when we negotiated contracts in the past, in order to get teachers to agree to...in order to get us to agree to a higher salary for teachers, we said we want to add more instructional days for students. And under the Commission of Industrial Relations, if you are going to require your teachers to teach more days, have a longer contract, you pay more. We drove up our costs. Our costs then are benefiting everyone else. But with an instructional time allowance, our additional contract to days would actually be reserved for us and would not endure to the benefit of the other schools that just simply said we want to do the minimums. The problem we have right now is in how those are calculated because it's things in like the minutes per day as opposed to the number of instructional days you have in a year because you can add...if you add, I think I calculated one time if you add 15 minutes to the day, you add a couple of minutes--120 seconds--to every class period. There's no significant difference between those, arguably. But if you take that same amount of time and actually pay teachers to come back for additional days or like six more instructional days, over a week more of instruction, and I think the research will show when you start increasing your instructional time by that much, you're going to have an impact. So we would encourage you don't throw the baby out with the bath water. The instructional time allowance is a good thing to have if it is based on the right stuff, and we would encourage you to base that on the number of instructional days you have for kids. The other one is the teacher education allowance, which basically provides an allowance for teachers who have advanced degrees. I will be the first one to say that if you just simply spread it across everything and say a master's degree in anything has any impact on student achievement, the answer will be no. But I believe you will find that master's degrees in certain areas, areas that those who propose projects for economic development would say should be in the area of science and math, technology, engineering, the research will show if you have people with advanced degrees in those areas, they can have an impact on student achievement. So, again, I would ask you, don't throw the baby out with the bath water. If there are parts of this with regard to certain degrees don't make a difference, don't throw it out with the ones that do. This is education for our kids and for our grandkids, and I think Nebraska needs to stand for something other than just local effort rate and basic funding. Thank you. [LB407]

SENATOR SCHEER: Thank you. Senator Kolowski. [LB407]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Dr. Fossen, thank you for being here today and testifying. Appreciate that very much. The number of days with the Millard district at the current time, what is that number, please? [LB407]

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KEN FOSSEN: I'm going to have to ask Angelo, our calendar man. 180. [LB407]

SENATOR KOLOWSKI: School days and staff days? [LB407]

KEN FOSSEN: 193. [LB407]

SENATOR KOLOWSKI: And with those additional days for staff, what kind of activities have added to their schedule then that there has benefited the district from that perspective? [LB407]

KEN FOSSEN: The days that we added through collective bargaining, we require that those be instructional days. So they were just days that they were teaching kids. It was not added for staff development. [LB407]

SENATOR KOLOWSKI: Thank you. It's a clarification. Thank you. [LB407]

SENATOR SCHEER: Any other questions? I see none. Thank you, Ken. [LB407]

KEN FOSSEN: Thank you. [LB407]

LINDA RICHARDS: (Exhibit 5) Good afternoon, Senator Scheer, Senator Sullivan, members of the Education Committee. My name is Linda Richards, L-i-n-d-a, Richards, R-i-c-h-a-r-d-s. I am currently the president of the Ralston Board of Education. I appreciate the opportunity to appear before you today and do so in opposition of LB407. Earlier in testimony on LB640, our superintendent Dr. Mark Adler stated the position of our school district, that we believe fundamentally that equalization is the paramount principle in the TEEOSA. In so doing, in making those statements, we know that equalization was the goal when TEEOSA was first established and equalization should still be that goal today. And we've remained a part of the team the last few years when the Education Committee asked us to take reductions in state aid in order to balance what the state aid formula demonstrated as far as need and what the state could afford. As a result, for the last 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. Now in order to meet this shortfall, we have budgeted for the use of transfers from our cash reserve to meet general fund obligations. At the same time, in October, our board and district embarked on a fiscal revitalization program. Dr. Adler talked about that earlier in his testimony. The goal of this program was to address the impending impact of the losses that we were incurring. It has not been easy. There were difficult decisions that needed to be made and they continue to be needed to be made. And after I leave here in my testimony, I'll be heading back to Ralston for our board meeting this evening in which I will be hearing recommendations from our administration with regard to those reductions. Now you likely saw media coverage with regard to our announcement to our employees of this difficult situation; and at the end of

the day, services to our students and our families will be impacted. The reality for Ralston is that we have no place else to go to address our revenue situation but state equalization aid. We are landlocked, we have stable valuation, and we have large TIF projects that are impacting local taxation for over the next ten years. The truth is this: To change the formula once again and to go back into a number that the state can afford will drastically impact educational opportunities to the students in Ralston and will diminish the progress that we are making in improving student achievement. Now as I contemplate the idea of how LB407 is drafted, I can't help but think back to how some of these allowances you're considering eliminating came to be. See, I've been here for 16 years as a school board member and I remember these conversations, the context of which we had the conversation in placing these in the formula. The discussions within the body centered around assisting districts in what was determined to be best practices in positively impacting student achievement. The teacher education allowance came to be as a result of No Child Left Behind Act and some of the conversations that were occurring with regard to qualified teachers in every classroom. Other allowances came to be as a result of studies that demonstrated achievement if districts applied focus to these specific areas. In each of these cases, the state committed to use the state aid formula to encourage and recognize districts for taking the right steps in addressing student achievement. The state would provide additional resources, and school districts would use those funds to attack the underlining issues limiting many of our students in making AYP or average yearly progress. Ralston took this partnership seriously. We went to work. We reduced class sizes. We offered summer school, first to a broad range of students and then to students identified through use of data as needing intervention. Each year, Ralston evaluates its staff and we hold teachers and administrators accountable. We find that the highly qualified teachers are the ones that seek additional degrees in specific areas of learning that are needed in our district. The teacher education allowance allowed Ralston to retain these higher-costing teachers, this higher-costing staff, and encourage a recently recognized staff mentoring program to be a part of our mission. Students are benefiting from a highly educated staff, and research shows that it matters. Eliminating these allowances is a shortsighted approach. We cannot afford to be penny wise and pound foolish. These allowances are critical to the ongoing work that school districts are deeply involved in, work that each district receiving the funding would tell you is making a difference in the education of Nebraska's students. Although Ralston is not the recipient of all of these allowances discussed in LB407, we do understand the interrelationship between ourselves and other districts in the Learning Community. We each have taken on issues facing our respective districts using these allowances. If one of us loses in this educational ecosystem, we all lose. Ralston Public Schools stands ready, willing, and able to have a conversation about how we are impacting student achievement. I pledge our best efforts and cooperation in finding solutions to the problems that we continue to address. What I know for certain is that we cannot afford cuts in state aid nor can we sustain minimum growth any longer. We have to figure out a way to have a conversation about what K-12 education should be and then develop a funding formula to fund it. I appreciate your

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attention, Senator Scheer and members, and I'll try to answer any questions that you might have at this time. [LB407]

SENATOR SCHEER: Thank you. Questions? Senator Davis. [LB407]

SENATOR DAVIS: Just a couple of questions. Thank you, Ms. Richards. [LB407]

LINDA RICHARDS: Yeah. [LB407]

SENATOR DAVIS: The first one is, I asked a question earlier about override elections. [LB407]

LINDA RICHARDS: Yes. [LB407]

SENATOR DAVIS: Has your district done that to exceed the levy limit? [LB407]

LINDA RICHARDS: We have not. We have done bond issues for our school district and we most recently for our high school and facility needs, and in so doing we have eliminated in this budget cycle there will actually be no dollars in the building fund. All funding is in our general fund. [LB407]

SENATOR DAVIS: And then you talk about your common levy proceeds. Does Ralston benefit from the common levy? It's costing you \$650,000 in property tax. [LB407]

LINDA RICHARDS: We have in the past...yes, Senator, we have in the past. It has been in recent years that it has begun to diminish. That is as a direct result of our, again, that ecosystem relationship within the Learning Community which is a unique situation. [LB407]

SENATOR DAVIS: So when you weigh out what you put out and what you receive, is it a wash or how does that... [LB407]

LINDA RICHARDS: It has been, but as of right now we're starting to see that diminish and actually we will see that diminish pretty sizably in this budget year based on what we're planning for. [LB407]

SENATOR DAVIS: Thank you. [LB407]

LINDA RICHARDS: You're welcome, Senator. [LB407]

SENATOR SCHEER: Senator Kolowski. [LB407]

SENATOR KOLOWSKI: Thank you, sir. Ms. Richards, thank you for your testimony.

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And Ralston has had, like many of the districts here, has had a long history of many creative programs. And I think of your early childhood program within the high school and many others over the years. I recently read where your year-round school process, is that being eliminated, is that correct, because of these same budgetary discussions, or could you fill us in on that? [LB407]

LINDA RICHARDS: Certainly, Senator, I'd be glad to. We did reduce the optional calendar at our Mockingbird Elementary site. Several, again, use of data in looking at what is impacting student achievement drove that decision. It was not solely a financial decision, although we will see financial ability to gain some ground from these reductions that we are having to do. It will help economically, but it was not...the economy of that was not the driving force in making that decision. It was solely using student data on performance and the impact on student achievement that made that decision. [LB407]

SENATOR KOLOWSKI: Okay. Thank you for the clarification. [LB407]

LINDA RICHARDS: You're welcome, Senator. [LB407]

SENATOR SCHEER: Senator Seiler. [LB407]

SENATOR SEILER: Thank you, Mr. Chairman. On your step program for pay for teachers, you have step for master's degree. [LB407]

LINDA RICHARDS: Correct. [LB407]

SENATOR SEILER: Does that require it to be in the area in which they're teaching? [LB407]

LINDA RICHARDS: It does not. [LB407]

SENATOR SCHEER: Okay. Thank you. [LB407]

SENATOR SCHEER: Senator Haar. [LB407]

SENATOR HAAR: We've heard a lot from superintendents and so on, so I'm really glad to hear from a school board member. And having been on the school board so long, one of the things obviously we're grappling with is how do we come into reality about how much state money can go into schools. And we...I think we're talking about two methods here, the sort of you mess with the parts of it and I'd call it a winner or loser, winner and loser; the other is to just everybody shares the pain. Do you have any thoughts about that as a school board member? [LB407]

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LINDA RICHARDS: I do. As I listen to the testimony here this afternoon, I think the message that came through that probably best fit where my thoughts are was if the fact that we aren't going to fund to the level that we need, this helps to be the less painful route for us to go about reducing the funding for public education in Nebraska. And so it is a we share the burden together. We are in a unique situation, Senator, with regard to the Learning Community. And so it does add an additional element for those 11 districts that share in that, as I point out, ecosystem and relationship. And so there are some other concerns that we have there that go beyond even the state aid formula in how that impacts us. So I think it's the lesser of two evils to look at LB640, as you heard our superintendent testify in favor of. It allows us to do, at least have some opportunity to do some planning and know that there's a little bit more certainty there because of the adjustable. And I think that what I'm concerned about as a board member is trying to help my constituency, my community not have violent swings in their tax bills. And we have set a really strong goal for the last five years of maintaining a levy and maintaining a cost in our district. And we've adjusted, as I just I think answered with you, Senator Davis, with regard to our building fund. When we saw those numbers increasing, we made the move out of the building fund and put all the dollars into that general fund. That's not a good behavior. I don't wish to do that in perpetuity. But right now to make things work, that's what we've had to do. [LB407]

SENATOR HAAR: Thank you very much. [LB407]

LINDA RICHARDS: You're welcome, Senator. [LB407]

SENATOR SCHEER: Senator Avery. [LB407]

SENATOR AVERY: Thank you, Senator Scheer. You stated in your testimony that the \$250,000 in common levy proceeds... [LB407]

LINDA RICHARDS: \$650,000, Senator. [LB407]

SENATOR AVERY: ...\$650,000, I'm sorry, that this was a loss. [LB407]

LINDA RICHARDS: Correct. [LB407]

SENATOR AVERY: You then...that suggests to me that participation in the Learning Community is not seen as a positive for your school district. [LB407]

LINDA RICHARDS: It has been a challenge here in the last couple of years specifically as we've seen this decrease in the impact that it has on our budget. So as it relates to the funding, it has not been a positive for us. That is correct, Senator. [LB407]

SENATOR AVERY: But it goes to the Learning Community. The Learning Community is

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supposed to help all 11 districts, especially the district with the biggest problem with the achievement gap, OPS. I don't see how you could say that that's a loss. [LB407]

LINDA RICHARDS: For Ralston it is. [LB407]

SENATOR AVERY: A contribution to a common objective, that's why it's called a common levy. [LB407]

LINDA RICHARDS: Correct. And for Ralston it is a loss. So my job as I'm elected is to represent the citizens and the students of Ralston Public Schools. [LB407]

SENATOR AVERY: And our job is to represent all of the students in all the school districts and all 249 of them, including the Learning Community. [LB407]

LINDA RICHARDS: Correct, under aid formula, state aid formula and under the TEEOSA which is equalization which I think that's what we're trying to be cognizant of the challenge that you have, and that's why when asked the question which works better, LB640 helps us to not see winners and losers. And so when we are in common, we see the ability to adjust together and work together. And we stand ready to do that. We just can't afford \$2.1 million as a reduction this year. [LB407]

SENATOR AVERY: But LB640 doesn't change the common levy. [LB407]

LINDA RICHARDS: No, but it doesn't...also, it doesn't drive...it doesn't have an impact on us like LB407 does. We will see the numbers that we've run with regard to LB407, we see a \$150,000 increase. Well, \$150,000 doesn't even touch the loss in common levy let alone it doesn't pay for just my staff rolling forward in their schedule regardless of their position. It doesn't pay for the increase in healthcare that we will absorb. It doesn't pay for the retirement cost that we are absorbing. So when we're looking at this, we're trying to look at it from Ralston's perspective certainly, but we're also looking at it from that group of concerned districts that have assimilated or come together with regard to LB640 to say we need the lesser of evil. If we're not going to fund the formula fully, LB640 helps us to handle those numbers and those reductions in a manner that's equal or better equal than we see in LB407, Senator. [LB407]

SENATOR AVERY: Thank you. [LB407]

LINDA RICHARDS: You're welcome, sir. [LB407]

SENATOR SCHEER: Any other questions? All right. Thank you so much for coming down, Linda. I appreciate it. [LB407]

LINDA RICHARDS: Thank you, Senators. [LB407]

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JEFF RIPPE: Good afternoon, Senators. My name is Jeff Rippe, J-e-f R-i-p-p-e. I'm the assistant superintendent for Bellevue Public Schools. Earlier, Mr. Frank Harwood, superintendent of Bellevue Public Schools, testified in support of LB640, and in his testimony he mentioned the allowances and how Bellevue does participate in many of those allowances. So I'm here today to talk about two of those allowances that we do participate that we feel should stay in place, and that's one of the reasons we would oppose LB407. As stated earlier, we do recognize that these allowances are moving targets and that not every district does benefit from the allowances, but we do believe they're fair allowances. At one time, part of the TEEOSA these allowances were put in as incentives for districts to change their practices. Districts are aware of those. Some districts choose to change their practices, some don't and that's their choice. But because of that, we do believe they are fair and should continue to stay in place. Millard talked about the instructional time allowance, and Bellevue went about it just a little bit differently. Three years ago, we increased our student day K-12 by 20 minutes. And so over a year, that's 60 hours of instructional time that we increased for our students. We believe that it has been beneficial and will continue to be beneficial for students to receive that additional instructional time. Also on the teacher allowance, we have a salary schedule that's very beneficial for teachers to encourage them to receive further education. Because of that, we...and to answer the question earlier, we do not allow...I mean, it does not have to be in their content area but it has to be an approved program. So it's either content area, curriculum, instruction, technology, those areas. Teachers can't just go and get a master's in whatever they want to, to move across the schedule. So, again, that's another incentive that we believe is important to continue to support our salary schedule, continue to encourage teachers to further their education. And with that, obviously we see that as a benefit to the students. So, you know, I'm not going to repeat everything that was said earlier but, again, those allowances are important. At one time, they were put in place for school districts to receive additional state aid if they chose to change their practices. Bellevue has chosen that, so at this point we feel it would be unfair to pull those allowances from what we're doing right now. I'd be happy to answer any questions. [LB407]

SENATOR SCHEER: Okay. Thank you. Any questions from the committee? Senator Seiler. [LB407]

SENATOR SEILER: What percentage of your teachers have a master's degree or greater? [LB407]

JEFF RIPPE: I can't give you an exact percentage but it's a rather high percentage, and again part of that is because of the incentive and the salary schedule that definitely encourages... [LB407]

SENATOR SEILER: More than 50 percent? [LB407]

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JEFF RIPPE: I would say yes, more than 50 percent. [LB407]

SENATOR SCHEER: Any other questions? Seeing none, thank you very much, Jeff. [LB407]

JEFF RIPPE: Thank you for your time. [LB407]

SENATOR SCHEER: (Exhibits 6, 7, and 8) Any other opponents? We're on opponents to LB407. Seeing none, neutral testimony, any neutral testimony? Seeing none, Senator Sullivan, while you're on your way up I will note that we had a letter of support from the Nebraska Cattlemen's Association, and we've had neutral letters from the Nebraska Council of School Administrators and the Nebraska Association of School Boards, as well as Troy Loeffelholz and David Melick from Columbus Public Schools. And Senator Sullivan to close. [LB407]

SENATOR SULLIVAN: Thank you, Senator. A few weeks ago when I stood on the floor of the Legislature asking for your support to be Chair of the Education Committee, I pledged that I would work hard to bring good policy out of this committee to the floor. And, first of all, that's been my intention in LB407 and it will be my intention going forward. And I think that LB407 does represent good policy in that it stays true to our formula. Granted, with making some changes that I think have basis and recognizing that we have a responsibility to provide for the educational needs of children in all 249 schools districts. I appreciate everybody who's testified in every capacity today because I think that brings their concerns forward, It brings information forward that's going to be up to us to deliberate and work through. And I know that based on what I've seen thus far of all of you, you're going to work hard to bring good policy so that when we do send a bill out to the floor, it is going to be one that we can understand and articulate to the body and hopefully that will gain their support as well. So I ask for your consideration and support for LB407. [LB407]

SENATOR SCHEER: Any final questions of the senator? If not, the hearing is closed. (See also Exhibits 9 and 10) [LB407]

SENATOR SULLIVAN: We will now open the hearing on LB645. Senator Haar. [LB645]

SENATOR HAAR: (Exhibit 1) Thank you very much, Chairwoman Sullivan and members of the committee. Seniority does have its benefits, and I'm second to the last. (Laugh) So thank you very much. I want to talk, really...well, today I'll be talking about the teacher education allowance. And two things I want to talk about. First of all, does it belong in TEEOSA? And the second one is the fairness of the current policy, which I believe is unfair, and how I think we could fix it. So in 2008, when originally enacted, the teacher education adjustment was intended to recognize, in the TEEOSA state aid

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formula, the additional costs of school districts incurred for the professional development of their teachers. And these additional costs are still incurred by school districts. I guess teachers with up-to-date knowledge and skills in their teaching field do improve student performance. And there are studies that show this. The teacher education allowance is the only variable in an \$850 million funding stream that places a priority of teachers and teacher preparation, a critical component of schooling. I believe that there is a place for the TEA, the teacher education allowance, in TEEOSA. I think that over the years we have used TEEOSA in a number of ways, and one of those is to incentivize schools for what they do. And I think that TEA is one of those. So I think it belongs in TEEOSA. Now there are some issues. And I want to talk about those issues. First of all, the current allowance provides credit for degrees outside the area a teacher is currently assigned to. And so a really important part of this bill that I've introduced--and one that, by the way, I think is not addressed very well in...when we come to the fiscal note--is it doesn't talk about the fact that a teacher has to have a degree within the area that they're currently assigned. And I think that's an important thing. That's part of the incentive. You don't just give an incentive for additional degrees but in those areas where a teacher is teaching. Advanced education that is recognized by the state should be related to the teacher's teaching assignment. Second, obtaining a master's degree or doctorate does not necessarily lead to better teaching, whereas obtaining specific skills and endorsements in the teaching field is more likely to lead to better teaching and student achievement. The current allowance formula counts points for a master's degree and doctorate for each school, establishes a ratio of total points, and then there's a rather complex...and I must admit I don't know where the 8.5 percent of adjusted general fund comes in. But relatively small changes in this teacher education index, which now depends on you being above average, can make a great difference. And I handed out...well, let me talk first of all about Lincoln Public Schools. Lincoln Public Schools is right on that knife edge. And I think this is one of the problems with the teacher education allowance right now. They're right on that knife edge of either getting the TEA or not. And right now it depends on if you're above average. It's kind of a pass/fail system. For example, right now the statewide average was 51.03 percent the way it's calculating, and Lincoln Public Schools had 49.55 percent, just right below. Just changing a small number of teachers with advanced degrees in the Lincoln Public Schools: if 38 more teachers had a master's degree, our average would have been 51--in other words, above the average--and would have qualified Lincoln Public Schools for a teacher education allowance. The trouble is this would change everybody's average, and so it amounts, right now, to chasing a statewide average. I handed out a sheet that looks like this; it says the "TEA History for Five School Districts." And this just sort of shows you the erratic funding that can happen. And, obviously, from what I've said and the questions I've asked, I truly favor going to some system, whatever it finally amounts to, that helps, not level out, but smooth out the TEEOSA funding, the state funding. So we have five different school districts here. And you can see that Norris would--and this is neither good nor bad--but Norris receives almost \$1 million in state funding from the TEA. That's because they are above the average for the state. Lincoln

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Public Schools receives no funding in that part of the formula because they're below the average. Waverly...I guess the issue here with Waverly would be that it's up and down; it's hard to predict what it's going to be in the future. And then, finally, you get to the schools that are in my district. Raymond, who's been up to \$77,000 and down to zero now in 2013-14. And again, to repeat, I believe that the TEA belongs in TEEOSA, but I think it needs to be fairer and it needs to be more predictable. Malcolm, again, you can see, has been up and down. Lincoln has gotten nothing from the TEA. Then, at least I've seen a letter, I don't know if we all have that in our packets or not, from the York Public Schools. And, from the York Public Schools, a full 28 percent of their TEEOSA funding comes from the TEA; it's just a huge part. And again, I think it belongs in TEEOSA, but I believe that a fairer way than the pass/fail system, which can literally put you in or out of that kind of funding, would be as proposed in this bill. And it gives so many points for a bachelor's degree, plus 9 credit-hours, 18, 27; a master's degree, with 9, 18, 27, 36; a doctorate, and so on. But you get the points no matter whether you're above or below the average. Again, a really important part here is only hours earned as part of a degree program in the same subject area or field that the teacher is assigned to teach will be counted. So I believe that LB645 excels in two ways. Number one, it takes away the pass/fail, and it recognizes, across the board, having teachers with better degrees in the areas that they're teaching. And it also is going to help level out...I'm sorry, smooth out--not level out, smooth out, we've got to be careful--smooth out that funding, because from one year to the other this would not change by huge amounts for any one school district. So I guess I'm, you know, more than willing to answer any questions you might have. But I feel it belongs in TEEOSA, the teacher education allowance, because better teachers in their field...more-educated teachers in their field are better for the kids, and I believe this policy is more fair. [LB645]

SENATOR SULLIVAN: Thank you, Senator Haar. One clarification on...now is this reporting that you're asking of, in the legislation, currently required? Or is that a new dimension? [LB645]

SENATOR HAAR: Some of it would be new. And I want to thank you for bringing up that point as well, because, as it states in the fiscal note, we couldn't get an exact number on that because we don't...there's going to have to be some additional data reporting and then, at the state level, you know, capturing of that data. [LB645]

SENATOR SULLIVAN: Um-hum. [LB645]

SENATOR HAAR: So there will be some additional cost. [LB645]

SENATOR SULLIVAN: Um-hum. [LB645]

SENATOR HAAR: And one thing that slipped through is that this says that all schools would have to report this kind of data, but we did not intend to have parochial schools,

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in other words, private schools, as a part of this. [LB645]

SENATOR SULLIVAN: Okay. [LB645]

SENATOR HAAR: And so if the committee agrees on this bill, and I hope you will, we would want to correct that. [LB645]

SENATOR SULLIVAN: Okay. [LB645]

SENATOR HAAR: So, yeah, thanks for your question. [LB645]

SENATOR SULLIVAN: Thank you. [LB645]

SENATOR HAAR: It's a good one. [LB645]

SENATOR SULLIVAN: Any other questions or comments? Senator Davis. [LB645]

SENATOR DAVIS: Senator Haar, I just have a question as to how this relates to the TEEOSA formula. And maybe Senator Sullivan would know the answer to that. But in order for a district to take advantage of this, they need to be levying the full...or at the minimum effort. Is that right? [LB645]

SENATOR HAAR: This would not be for schools that...this would only be for schools that receive TEEOSA funding, if that's a question. [LB645]

SENATOR DAVIS: So at a hundred...all the schools that are not equalized are not eligible for this... [LB645]

SENATOR HAAR: Yeah. Yeah. Although it might...and again, we don't know without seeing exact numbers whether or not this would bring some schools into that, because I would think for smaller schools it might be more difficult to get above that state average. And again, this can make quite a difference. Now one feature of this as well is that for right now, again, to add some stability to things, that would be capped at \$25 million. [LB645]

SENATOR DAVIS: Thank you. [LB645]

SENATOR SULLIVAN: Any other questions? Senator Seiler. [LB645]

SENATOR SEILER: I have a couple. I didn't see anything in this particular bill that says the school board would approve the master's or the additional credit-hours in postsecondary. I like your theory. I'm going to make a statement, and I know Senator Davis will come out of his chair. If you looked...for instance, let's say I come and I got

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"Wauha U." on-line master's degree--and I know in North Platte area it would be tough to get to a residential setting only--but wouldn't it seem right to have the school board approve...prior approval to getting these doctor's, master's credit-hours in your field? [LB645]

SENATOR HAAR: I expect that would be a good addition. And, I mean, you bring up a really interesting question about now on-line degrees, which is a big benefit because it allows teachers wherever they are to obtain additional degrees. And I have a son that got his MBA through University of Phoenix on-line, and he worked harder in that course than I've ever seen him work. So...but that's an important qualification; you'd have to look and see where those degrees come from. And that is not addressed in the bill. [LB645]

SENATOR SEILER: Okay. The next item: Do we back into the fact that small schools, if you put this in the statute, which I don't really have an objection...but aren't the small schools, in the CIR, going to be shaping up under this for teachers' pay? [LB645]

SENATOR HAAR: The question would be, then, is this going to affect the way teachers negotiate, basically? [LB645]

SENATOR SEILER: Right. [LB645]

SENATOR HAAR: And I would hope so. I think that's part of the incentivizing that this bill brings to the table. It says that, yes, this is legitimate to reward schools for and to recognize the additional cost of teachers with higher degrees. [LB645]

SENATOR SEILER: But they don't have that ability. We froze in their back side, for schools that aren't TEEOSA, 109 of them. [LB645]

SENATOR HAAR: Um-hum. You're right. This is a factor, an allowance factor in... [LB645]

SENATOR SEILER: TEEOSA only. [LB645]

SENATOR HAAR: ...in TEEOSA only. That is correct. [LB645]

SENATOR SEILER: So the 109 that are not TEEOSA are negotiating this without the economic benefit of TEEOSA. [LB645]

SENATOR HAAR: That's correct. [LB645]

SENATOR SEILER: Thank you. [LB645]

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SENATOR DAVIS: Senator Haar, do you think that's fair, that we're going to set aside a pool of \$25 million for TEEOSA schools only, encouraging them to have a high degree of people certified in their field, but not for the other 109 because they don't count? [LB645]

SENATOR HAAR: Well, the way I look at the TEEOSA formula, this by itself does not determine whether or not a school receives TEEOSA, or equalization aid. Everybody receives some TEEOSA money, but this is the equalization aid we're talking about here. It all factors in, and I see that as the system...that's the part of the system, I think, that...yeah. Yeah, I think it's fair. [LB645]

SENATOR DAVIS: Hmm. [LB645]

SENATOR SULLIVAN: Senator Scheer. [LB645]

SENATOR SCHEER: Thank you, Senator Sullivan. Senator Haar, maybe just a devil's advocate... [LB645]

SENATOR HAAR: Sure. [LB645]

SENATOR SCHEER: ...question here, but sometimes in smaller districts you'll have a teacher that got her degree or his degree perhaps in math with a minor in science. And all of a sudden, their biology teacher quits, leaves, whatever the case is. So they ask that instructor, will you switch over and teach this area? Although, you know, they have enough of an endorsement, but it wasn't where they majored in. And under this, it would penalize the district because that teacher would not be in the area of their degree; it would be in their minor. And, you know, I don't know how often that happens; I'm not trying to imply that's a huge problem. And it may not just be for small school districts; it may be for other-size school districts. But I just...my concern...I understand where you're going: it is good to have teachers with their endorsement or their degree in teaching in those specified areas. But there are also some times when those exceptions hit where the teacher is actually having to go learn more to teach something they minored in, and it was, really, to the benefit of the district. And I can just see that happening in rural, smaller schools, where it's tough to find, you know, teachers to apply for positions; sometimes you don't even have teachers apply for positions out there. So, you know, I'd hate to have it as a detriment for the district or the teacher. [LB645]

SENATOR HAAR: Um-hum. Well, first of all, I'd just like to say, with women getting more advanced degrees these days, we should always start with "she," I suppose, talking about the teacher. But from a teacher's standpoint...I'm going to look at this from two...you raise an interesting question. From the teacher's standpoint, I don't believe they'd fall any differently on the salary schedule. So this would be a decision of the district. And, across the board, with TEEOSA, and I don't mean to trivialize it, but we

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play a game to get, you know, to get the most benefit out of the formula and get that state money. So it would certainly be to the district's advantage to try to hire those teachers and put them, you know, where their degrees fit what they're teaching, also the kids, by the way, I think. [LB645]

SENATOR SCHEER: Okay. Thank you. [LB645]

SENATOR SULLIVAN: Any other questions? Thank you, Senator Haar. [LB645]

SENATOR HAAR: You bet. [LB645]

SENATOR SULLIVAN: We'll now hear proponent testimony on LB645. [LB645]

LARRY SCHERER: (Exhibit 2) Good afternoon, Senator Sullivan, members of the Education Committee. My name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r. I am with the Nebraska State Education Association, representing our 28,000 members in support of this bill. NSEA supports modification and enhancement of the teacher education allowance. As Senator Haar mentioned, there are issues with it in terms of teaching courses not related to the degree and the formula itself, where a small change can result in a big dollar difference and chasing that average. Attached to the testimony, on the back of the first insert there, there is actually the formula itself for the current system. And you can probably get a better answer on how it actually works by reading that and then asking the Department of Education to clarify. But there is a problem with the way it works now, and, hopefully, LB645 would address that, as well as LB416. NSEA supports both bills, and my testimony is to both. And we have...Jay Sears from our instructional area will come up here and testify also on LB416, I believe. So you'll be hearing some questions and some information from him as well. The...as far as LB416 goes, which is the bill you'll hear next, it's a broader scope and it goes beyond degrees, and we think that's healthy; and it's going to take some time and study to make that work. LB645, if you're set on coming up with something to fix the formula this year, would do that by a new formula and requiring the teaching to be related to the teacher's current assignment. The teacher education allowance now found in the statute is actually only about five years old. It was created in 2008 by then-Chair of the Education Committee Senator Ron Raikes. It was originally an adjustment rather than an allowance, which meant that the cost was added back in to the general fund operating expenditures and it increased the base each year. When we hit a bump in the economy a few years ago, that was changed to an allowance to save some funds. The original reason, according to Senator Raikes, was to recognize additional costs to school districts that maintained a teaching staff with advanced professional skills and knowledge as exemplified through achievement of a master's degree and doctorate. And I'll pause just a second. One of the reasons, I think, settled on master's degrees was because the Department of Education currently collects the information that way from school districts. It's not broken down by the number of hours, I think--well, perhaps

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0 to 30, and 30 and above--but not in the finer...and certainly not by looking at other types of skills that Senator Kolowski is suggesting. Those costs still exist. As you heard Mr. Fossen from Millard talk about, Millard and a number of school districts spend a lot of money; and advanced education, professional growth, isn't free. School districts that have invested in this should continue to see that cost recognized, and those that don't right now should have the advantage and the ability to try to change their system so that they could take advantage of it. Senator Haar mentioned that out of \$852 million there's about 3 percent, about \$25 million, in the teacher education allowance, and that was for '12-13. And it's important to note the teacher education allowance is the only recognition of the cost and value of good teaching. There's a paragraph there on the other allowances in the formula, and they're there...recognize different programs, different settings, different situations such as transportation, distance education. I guess if you're analyzing distance education in terms of a cost a school district can control, it's sort of like a teacher education allowance: it is controllable; it's a matter of how much value you place on it. So a full study is what we're suggesting, of these allowances. Some maybe should be consolidated; some maybe should be improved with a different plan. We like the idea Senator Kolowski is suggesting, of doing a study focusing on some areas outside of degrees. So we thank you for your time and efforts, and we would be happy to answer questions. And if I don't know the answer, I hope Jay does. I do have a couple responses to questions you asked earlier, if you would like me to respond to that. I see I'm out of time. [LB645]

SENATOR SULLIVAN: Okay. Thank you, Larry. Thank you. Well, in terms of...and I'm not sure which ones you were referring to that you'd like to respond to, but feel free to do so. [LB645]

LARRY SCHERER: Sure. Senator Seiler asked about extra hours and whether...taking extra hours, whether those should be approved by the school board. And in most cases, the negotiated agreement provides that they should be. And we think that's a reasonable requirement. If it needs to be in this bill, whatever bill you eventually develop, we would not have an objection to that. The question Senator Davis asked about: Is it fair for the 109 districts that don't receive equalization aid, even though they might received the income tax rebate or other parts of TEEOSA? This isn't requiring them to incur those expenses. And in terms of their overall ability to qualify for equalization, if...you know, a lot of it depends on property valuation and the resource side, for rural districts. I think you could make an argument that if we start to recognize some additional things that Senator Kolowski is talking about, rural schools would probably qualify for more of these things as well. And I think the last question Senator Scheer asked about, teaching outside of your area, is one I'm going to ask Jay to respond to, because it is...there is exceptions allowed under accreditation for doing that, and the question is whether that should be allowable within this. Perhaps if it's a related field, that might be a good idea too. So thank you for your time. If there are other questions, I would try to respond; otherwise...I know it's been a long day. [LB645]

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SENATOR SULLIVAN: Any other questions for Larry? Thank you. [LB645]

LARRY SCHERER: Thank you. [LB645]

JAY SEARS: (Exhibit 3) It's great to play cleanup after Larry. I'm Jay Sears, J-a-y S-e-a-r-s. And I do represent the Nebraska State Education Association. And it's interesting that today's bills are all about how do we incentivize, how do we make sure that school districts get TEEOSA money, and who gets it, and what for. And it's a very important piece for the Education Committee and then the Legislature to think about how do we fund education in the state of Nebraska, and how do we move good public policy. And I think you probably have more information than you'll want to try and get good public policy out of this legislative session. Let me just talk just a little bit about Senator Scheer's question and how that would work in Senator Haar's bill. One of the things that you'll see that's unique about the teacher education allowance in Senator Haar's bill is it breaks down the teacher incentive into increments like you would see on a salary schedule. So, for example, Senator Scheer's question was, if I had a math teacher who got their degree in math, an endorsement in math, they might have another endorsement in science, and they might have hours after their bachelor's degree after they got both endorsements. So I'm sure later on as some of our teacher ed people come up and testify about the teacher education allowance and why it's valuable, they can talk a little bit more about endorsements and what might go together, because they recommend to candidates, as they're going through teacher education, what might make you employable. And math and science are great areas to put together, but if you get an endorsement in math and in science, you're going to spend most of your life in your four-year program...into six, eight, or ten years trying to do that. And so they might go on and get graduate hours after their major endorsement area, and then maybe get a master's degree in it or some other endorsements. And that's some of the areas that you will see in Senator Kolowski's bill also. And so what we're trying to put out to you as an Education Committee is, here are some...all kinds of options if we want to incentivize good policy around good teaching. It's not easy. We know that, you know, over the years we've found things that are much better at helping kids learn. And so what we're trying to do is, should we as, you know, you as public policy makers, should you incentivize that, should it be rewarded in the TEEOSA formula? How do we make policy moves so that kids are having the best instruction? So in that case, as Senator Scheer brought out, in Senator Haar's bill they might be able to get some TEEOSA funding, because I was teaching in both areas because I had a bachelor's degree plus 9 hours or, you know, 18, or 27, or I was moving down the path, so that it...you know, when you go to summer school...and I spent most of my life, when I was teaching for 12 years in Seward, going to summer school. I probably got more degrees and more hours and more endorsements than, you know, I could ever teach in. And I think the commissioner probably said he wasn't going to let me teach anyway; so it's expired, and it's not coming back. So those are some of the things that we're looking at in LB645, in LB416

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today. And so we'd be glad to answer some questions. But before I do that, I would request from the Chair...I have a letter to introduce that is from a teacher that is speaking on both LB416 and LB645. So how would you like me to handle that? [LB645]

SENATOR SULLIVAN: Oh, to enter that into the...she's not actually going to... [LB645]

JAY SEARS: She's not going to be here because she's off subbing for somebody at Southeast Community College. [LB645]

SENATOR SULLIVAN: Okay. All right. [LB645]

JAY SEARS: So how would you like me to do that, Senator? [LB645]

SENATOR SULLIVAN: You can give that to the clerk... [LB645]

JAY SEARS: Okay. [LB645]

SENATOR SULLIVAN: ...and we'll make sure that gets into the record. [LB645]

JAY SEARS: Thank you, I appreciate that. So I am...you've got me, so... [LB645]

SENATOR SULLIVAN: Any questions for Mr. Sears? [LB645]

SENATOR SEILER: I have one. [LB645]

SENATOR SULLIVAN: Senator Seiler. [LB645]

SENATOR SEILER: Do you have a list of accredited master's, bachelor's, accreditation colleges? [LB645]

JAY SEARS: In Nebraska we have the 16 education preparation institutions that are accredited by the state. And 14, I believe, of the 16 are also nationally accredited. But that would be the other piece. As you look in, Senator, as you look in negotiated agreements, most of those negotiated agreements require that the hours come from an accredited program. And so our state Department of Education, through the State Board of Education, would accredit or look at and say, those programs are accredited, and so they are moving toward whatever endorsement or whatever degree that you're looking at, so... [LB645]

SENATOR SEILER: So if I'm on the school board in North Platte and they ask me...or a teacher says, can I get this? They can call your office, and it... [LB645]

JAY SEARS: They could call the Department of Education and say, is it accredited?

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Right. Yeah. [LB645]

SENATOR SEILER: Or a university on-line versus Harvard. [LB645]

JAY SEARS: Right. There might be a difference in that, Senator. [LB645]

SENATOR SEILER: Okay. [LB645]

JAY SEARS: And the Department of Education can tell you that one, so... [LB645]

SENATOR SEILER: That would be fine. [LB645]

JAY SEARS: ...or any 1 of our 16 institutions here in the state of Nebraska... [LB645]

SENATOR SEILER: Thank you. [LB645]

JAY SEARS: ...could do that, so...yes. [LB645]

SENATOR SULLIVAN: Anything else for Mr. Sears? Thank you. [LB645]

JAY SEARS: Thank you. [LB645]

SENATOR SULLIVAN: Welcome. [LB645]

JOHN NEAL: Good afternoon, Senator Sullivan, Education Committee. My name is John Neal, J-o-h-n N-e-a-l. I'm assistant to the superintendent with Lincoln Public Schools, and I've come here to speak in support of this bill as a result of conversations that took place this summer. A group of administrators came together this summer to look at TEEOSA in general, and they had grave concerns over the teacher education allowance because, well, for two reasons. One, it didn't seem to be serving its original purpose. The purpose was to provide support to districts who were sitting in communities with postgraduate programs and had greater needs because of that. And that didn't seem to be considered still a need. Nor was it meeting the need of providing support for advanced degrees that were making a difference in student achievement, at least from the perception of the administrators who were there. So the purpose had changed. And second, the distribution of the funding that came from the teacher education allowance, it became an average that was difficult to chase. If you were above the average in the proportion of teachers with advanced degrees, you received funding; if you were below the average, you did not. So even if you put a great deal of effort and had a large number of teachers with an advanced degree, sometimes you were unable to get the funding to help support that effort. And one of the responses to that was, let's eliminate the teacher education allowance; it's not working, so let's eliminate it. And I think Senator Haar's bill provides another option, which is looking at

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being more strategic with the purpose of the teacher education allowance in ways we know it does make a difference, including advanced degrees in specific content areas. An example might be the "Math in the Middle" program. It's a national program that matches middle-level math teachers and has a master's degree focus on both content area, expertise in math, as well as instructional strategies specifically focused on middle-level students, which has proven over time to successfully move the student achievement needle for students. That would be the kind of strategic change in the teacher allowance process, if it was focused on content-area expertise. And second, the process in Senator Haar's bill that provides the equitable distribution of the teacher allowance funding out to schools, out to all districts that are part of the equalization process, rather than a "have or have-not" at the 50 percent level. So for these reasons, I think Senator Haar's bill is something Lincoln Public Schools supports, especially for the conversation it continues on that policy issue of whether the teacher education allowance is something that should continue or be eliminated, but on the benefits of what it might be, not necessarily what it was. Thank you for the time, and I'll be happy to try to answer any questions you have. [LB645]

SENATOR SULLIVAN: Okay, thank you. Any questions for Mr. Neal? Thank you, John. [LB645]

JOHN NEAL: Thank you. [LB645]

BILL MUELLER: Senator Sullivan, members of the committee, my name is Bill Mueller, M-u-e-l-l-e-r. I appear here today on behalf of Millard Public Schools in support of Senator Haar's LB645. Angelo Passarelli was here; he was going to testify. Millard has a school board meeting tonight where they're talking about another school bond issue, so he thought that he'd better be there. So he asked me to note Millard's support of both LB645 and Senator Kolowski's bill. Millard is very interested, as you probably know by now, in the teacher education allowance; we will work with the committee to further refine what should qualify and what should not. We believe strongly in this allowance; we believe that it does have educational value and should be shown in the state aid formula. I'd be happy to answer any questions the committee may have. [LB645]

SENATOR SULLIVAN: Any questions? Thank you, Bill. [LB645]

BILL MUELLER: Thank you. [LB645]

SENATOR SULLIVAN: Um-hum. Any additional proponent testimony? Opponent testimony on LB645? [LB645]

JEREMY MURPHY: Good afternoon, Senator Sullivan, members of the Education Committee. My name is Jeremy Murphy, J-e-r-e-m-y M-u-r-p-h-y. I serve as associate director for education issues for the Nebraska Catholic Conference. We oppose simply

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the language on page 2, the data reporting mandate, that I think was unintentionally placed on private schools. I apologize, we didn't catch that until this morning. We did catch it for a bill that you're hearing tomorrow, so we already have an amendment back from bill drafting, and I provided Senator Haar with a copy of that. But that was LB506. But if that mandate can be removed for private, denominational, and parochial schools, that would completely resolve our objections. But the language in question, it's lines 13 through 15 on page 2 and lines 18 through 21 also on page 2. And I haven't compared our LB506 amendment to this bill closely enough, but I think you could almost use identical language to fix the same problem. That's all I have. [LB645]

SENATOR SULLIVAN: Thank you. Any questions for Jeremy? Thank you very much. [LB645]

JEREMY MURPHY: Thank you. [LB645]

SENATOR SULLIVAN: Any other opposition testimony? Anyone testifying in a neutral capacity? Senator Haar, to close. [LB645]

SENATOR HAAR: Once again, thanks for staying. And thanks for your good questions. Just to reiterate, I believe that this is an important part of the...an allowance in the TEEOSA formula, and it can be made better so that it's distributed not just as a pass/fail but across the board. And just to respond real briefly to Senator Davis' question: Is this fair that we, you know, that we incentivize schools that get funding? My understanding of this, it's basically a question of the formula, of TEEOSA. Every school will get evaluated on this basis, and this is part of the formula which would then determine whether or not a school gets TEEOSA aid. So it is not a stand-alone part, but it's part of the needs; and, as we know, needs minus resources equals aid. So thank you very much. [LB645]

SENATOR SULLIVAN: Very good. Any questions? Thank you, Senator Haar. That concludes the testimony and the hearing on LB645. We'll now open the hearing on LB416. Senator Kolowski. [LB645]

SENATOR KOLOWSKI: (Exhibit 1) Madam Chair. Good afternoon, Senator Sullivan and members of the Education Committee. My name is Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i. And I represent Legislative District 31. The goal of improved student performance is the principal reason I sit before you today, just as it was my mission as a teacher, a principal, board member and is now as a senator. For the rest of the hearing I want this to be our mission. It is my belief, which is backed by substantial research, that teachers have the greatest impact on student achievement. We need to be hiring quality teachers in Nebraska who are effective and able to teach to the diverse needs of our students. What are these needs? They are the following, but not limited to: access to advanced placement courses, teachers who are masters in their subject area,

credentials to teach dual-enrollment courses, and endorsements to teach courses in critical-needs areas. Employing teachers with these skills and advanced preparation costs school districts additional money. We have a responsibility as leaders and policymakers to recognize and encourage all Nebraska schools to employ teachers who are continuously improving their content knowledge, teaching skills, and abilities and therefore providing all Nebraska students with the highest-quality education. LB416 does just that. I have introduced LB416 to sunset the current teacher education allowance and adopt legislative intent to transform this state aid allowance into a more high-quality, impactful, and stable system of recognizing school district costs for the employment of teachers with advanced education and skill attainment. Currently the teacher education allowance, which dates to 2008 legislation by the late Senator Ron Raikes, provides additional formula needs for school districts that employ more teachers with master's degrees and doctoral degrees than the statewide average. In 2012-2013, the teacher education allowance added \$25 million in formula needs to districts that qualified. From my discussions with teachers, students, administrators, organizations, and policymakers, I conclude that while the intentions of the current teacher education allowance are honorable, the need to enhance the formula to better reflect the needs and desired future directions of our school districts are also important. Currently the teacher education allowance measures only one dimension of teacher educational advancement, college degrees, while, in fact, teachers continue their education and advance their craft through many different types of educational experiences. Additionally, the formula does not set a definitive standard of quality educational advancement. Finally, the current allowance suffers from a technical problem in which a few additions or losses of master's or Ph.D. degree teachers can swing a district into or out of the teacher education allowance. An interim study would provide for an in-depth examination of the teacher education allowance and how we can improve this formula to better accomplish our mission to improve student performance by providing Nebraska students with quality teachers. I want to be clear that the only reason I am in favor of sunsetting the current teacher education allowance is with the understanding that we will reinstate an improved version of this formula by 2014. I have one cleanup amendment, AM167, that clarifies that money will go to school districts and not directly to teachers and allows us during the interim to look at options not listed in Section 4 of this proposed law. With that in mind, I urge you to advance LB416. I'd be happy to answer any questions, please. Thank you. [LB416]

SENATOR SULLIVAN: Thank you, Senator Kolowski. [LB416]

SENATOR KOLOWSKI: Um-hum. [LB416]

SENATOR SULLIVAN: This is obviously something you care a lot about. And the interim study, if that goes forward, do you have any hopes or expectations for what might be the outcome of it? [LB416]

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SENATOR KOLOWSKI: Well, I think we have a collective potential to really add to what I'm proposing here. And from what we've heard already today, some additional blending of things could come together. And I think we would have a much better overall law in mind when we would take the time to keep this concept alive, extend it up through those dates mentioned, and in the in-between do an interim study to get the best collective minds from the districts you've heard today together to truly enhance this possibility. My own experiences with...four decades of experience with the educational systems here in Nebraska, I would use the term today as I look at the progression of the profession, and keep that in mind, the "progression of the profession" over all those decades, the movement we've had to greater professionalism on the part of a teaching staff at all levels. This would be a very significant leap forward for us to maintain this concept and also enhance it to an even higher level within our state. And I think we have great potential for that taking place. As you saw on the last page of the law...of my proposal, you can see the listing of a number of things that we could potentially look at and identify that districts are currently doing and would need those higher-performing teachers to fill those roles in our state. And that along with other things we've read today, I think those could be very powerful combinations that we could bring forward to truly enhance the teaching profession and pathways for teachers to take in their career path of 30 to 40 years of participation in this endeavor. Thank you. [LB416]

SENATOR SULLIVAN: Um-hum. Okay. Any questions? Senator Haar. [LB416]

SENATOR HAAR: Yes. So do you say, kill it and revive it in a better form, or keep it the way it is and study it first and then make some changes? [LB416]

SENATOR KOLOWSKI: At this point in time, Senator, keep it alive in the way it is, and we'll study it and then come back with the...if it would be sunsetted right now...of course, the decision of the committee as well as...all of us in this committee. But I would sunset it but also replace it with this law with the interim study, but not sunsetting it until that later date so we'd have time to work in between. So it keeps it alive but gives us a chance to put the best minds at work on this. [LB416]

SENATOR HAAR: Good. Thank you. [LB416]

SENATOR SULLIVAN: Any other questions? Senator Scheer. [LB416]

SENATOR SCHEER: Thank you, Senator. Senator Kolowski, you've had a lot of experience administrating with other teachers. [LB416]

SENATOR KOLOWSKI: Sure. [LB416]

SENATOR SCHEER: Question always comes up: Does additional degrees, education in one's area of expertise, actually make a better teacher, or is a teacher, basically,

born? I mean, you know, you hear, born salespeople, for example; well, you can't teach that, but you can improve it, I suppose. But I, you know, I continue to hear that just because someone has a bachelor's plus 27 or a master's plus 18, in and of itself, doesn't make that individual necessarily a better instructor being able to facilitate student learning. How would you respond to that? [LB416]

SENATOR KOLOWSKI: Well, I would...it's a question that's very germane to all that we've been talking about today. And my own experience in the district I served was one where we rewarded and were challenging teachers to find and take those courses and get those degrees that would match the direction of the strategic plan of the district. So I was part of the planning of the implementation of advanced placement courses; the IB program, international baccalaureate, at Millard North; and the enhancement of many levels of different courses that were put into the curriculum over time. So I have seen and I believe the additional coursework is very conducive to the growth of those teachers within that climate of high expectations for the students and high potential growth for the staff to excel to a higher level and have those opportunities before them. So, yes, I would see it as, and have seen it personally as, a potential opportunity to really grow staff. And that's what I mean by the progression of the profession is a general statement for all of teaching, all of education, but it's also an individualized mantra in that sense of coming to where I started in the profession and the things I did to get to where I wanted to be or what I wanted to teach or where I wanted to administrate. In a program you have options, and it helps make those dreams come true for a person. So, yes, I would see the additional coursework as being very strongly that. I do also agree with the specificity of the coursework and the decision-making, as we've heard, on the part of the district for a degree program, for where does it best fit within our needs. And that's a content-driven decision as well as one of pedagogy, where they're learning to be a better teacher. And I think a third arm of that, along with pedagogy, would be the use of technology today, because it's so infused in all that we're doing. So I don't separate technology from pedagogy, but you do in some ways because of the way it's used and how it's a powerful tool in the classroom today. [LB416]

SENATOR SCHEER: Thank you, Senator. [LB416]

SENATOR KOLOWSKI: Thank you. [LB416]

SENATOR SULLIVAN: Senator Haar. [LB416]

SENATOR HAAR: Yes, I think you said this, but just to make sure, in the fiscal note it says, "a system for rewarding teachers," but that it would...is that your intent, or is it to leave it...so you reward the teachers directly, or you reward the school system? [LB416]

SENATOR KOLOWSKI: The district would receive the money. And then through their

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planned delivery system of implementing their strategic plan as to what they want and what they think is most important, that money would go to those with the degrees in those particular areas, yes. It would go to the district, yes, sir. [LB416]

SENATOR HAAR: Okay, thank you. [LB416]

SENATOR KOLOWSKI: That's part of the amendment we did, also. [LB416]

SENATOR HAAR: Okay. [LB416]

SENATOR KOLOWSKI: That should have been handed out to you, I believe. [LB416]

SENATOR SULLIVAN: Any other questions? Thank you, Senator. [LB416]

SENATOR KOLOWSKI: Thank you. [LB416]

SENATOR SULLIVAN: We'll now have proponent testimony. [LB416]

JAY SEARS: (Exhibit 2) Thank you, Senator. For the record, I'm Jay Sears, J-a-y S-e-a-r-s. And I do represent the Nebraska State Education Association, all 28,001 members. Just seeing if you're here. You already have our written testimony that Larry and I introduced earlier in LB645. Just wanted to touch base with a couple of things. One of the things that I introduced also to be read into the record was a letter from De Tonack, a retired teacher. And following me is a soon-to-be teacher, a senior at Peru State College, to also talk about the progression of education for educators. Education is not stagnant, as De said, and neither are educators. We're finding more and more ways to teach, with brain research and whatever. Senator Kolowski pointed out that the very last page of LB416 gives some ideas about how we might look at the teacher incentive allotment or allowance, or whatever you want to call it, to incentivize good policy, lists a number of things. And I just wanted to talk just briefly about a couple of those. Of course, there's that "attaining an advanced degree" in the area. There are plenty of studies out there, and I think the superintendent from York shared with you in his testimony the latest NAEP research that shows that math scores and English/language arts scores go up higher with a person who has a master's degree in the content than with a bachelor's degree. And so that's one of the things that we're looking at, is, as you look at good public policy, is focusing on content areas and making sure that we have the content that students need. Thirty-, forty-some years ago what students needed to know in history was a lot less than it is today, just about 40 years less. Anyway, as you can see, there are some other issues in there. Teaching "advanced placement": I know there's a statewide goal of increasing the number of students who have access to AP courses or international baccalaureate programs. Senator Kolowski can probably tell you, when you get into Executive Session, about how many IB programs are really out there: that's the top of the line; that's the rigor that

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we're talking about. I'm more familiar with what was done in the Millard Public Schools in IB courses and then also here in Lincoln at Lincoln Public Schools, at the Lincoln High School, and the opportunities that students are getting in advanced standards and curriculum that prepare them for the whole world. Another idea that you may not be familiar with is in number (5): Attaining credentials to qualify as a master teacher pursuant to section 79-8,128. I'm sure we're not all going to go look for that one, so let me tell you what that's really about. About ten years ago, the National Board for Professional Teaching Standards started a performance assessment for teachers in all of the content areas. And they have credentials in, I think, 26 different areas and will soon be introducing also a leadership credential. What the research is telling us--and, if you would like, I'd be glad to supply it to you, at least get you the connections, or you can go to the National Board Web site--is, teachers who have National Board certification, students perform better than others who don't have the certificate. It's a performance-based assessment. A lot of talk will be coming up, I'm sure, in some other bills about dual enrollment; we've had some dual-enrollment courses and discussion about that. But it takes different credentials and it takes different training to teach a dual-credit course. And we were looking at master's degrees plus 18 hours and those things. Again, another way of driving policy. And then the last one is about attaining the endorsements, that we're short in many of our rural schools. And Senator Scheer gave an example of: today I'm teaching math, but we're short the science teacher. It's going to cost to get that endorsement for that district so that they can keep their accreditation up. So I would close with that. And I would let you know that following me is the student association president of our affiliate, the Student Education Association of Nebraska, a senior at Peru State College, a real person that's working in the field. And she'll share with you her thoughts about entering this profession and what she's studying now and where she's going and why a teacher education allowance is an important piece. So, with that, I'll close and take questions if you have them. [LB416]

SENATOR SULLIVAN: Okay. Any questions? Senator Haar. [LB416]

SENATOR HAAR: Yes. I have a granddaughter who's in the IB program at Lincoln High School. And I like your terminology of "intellectual rigor," because what those kids in that...and it is a select group, and it should be; it requires a lot of intellectual rigor. [LB416]

JAY SEARS: It does. Yes, Senator. [LB416]

SENATOR HAAR: And so... [LB416]

JAY SEARS: I couldn't teach one of those courses; I'm not qualified. [LB416]

SENATOR HAAR: Okay. So I just...I like that terminology, "intellectual rigor." And I think that really is being required more and more as we get kids into advanced situations

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earlier, where they need to be so they are challenged. [LB416]

JAY SEARS: That's correct. And more and more of our schools need faculty who are able to provide that instruction... [LB416]

SENATOR HAAR: Um-hum. [LB416]

JAY SEARS: ...for them. It shouldn't just be a Lincoln High piece, so... [LB416]

SENATOR HAAR: Sure. You bet. [LB416]

JAY SEARS: ...I'd agree with you. Thank you, Senator. [LB416]

SENATOR SULLIVAN: Any other questions? Thank you. [LB416]

JAY SEARS: Thank you so much. [LB416]

SENATOR SULLIVAN: Um-hum. Welcome. [LB416]

MEGAN BROWN: (Exhibit 3) Thank you. Good afternoon, Madam Chair and members of the committee. For the record, my name is Megan Brown, M-e-g-a-n B-r-o-w-n. I'm a secondary special education major at Peru State College. I'm in my senior year and hope to begin my career in teaching in a Nebraska school district following my graduation in the spring of 2014. I'm the president of the 1,500-member Student Education Association of Nebraska. I am the daughter of teachers and have grown up witnessing the importance of continuing education and professional development. I support LB416 and LB645 for many reasons. First, as you all know, many teachers leave the classroom within the first five years of teaching. Any incentive the Legislature as well as local school districts can give to educators to stay in the classroom is crucial to maintain and attract high-quality candidates. The teacher education allowance encourages teachers to develop their skills and knowledge in their area of expertise, rewards the school district for those enhanced skills, and, we would presume, rewards those educators as well. Second, by nature a teacher can never stop learning. Educators always strive to improve skills and techniques. I do not believe that you as policymakers would have it any other way. Unfortunately, however, the cost of that added knowledge is almost always borne by the teacher. I know all too intimately the costs of education and anticipate an even greater cost when I pursue my master's degree. The teacher education allowance would return some of that cost to educators. Education has evolved, since my experiences in primary school even. With advances in technology and an ever-expanding global platform of learning, teachers are now required to educate students and provide skill development that meets global competitiveness in a future job market we cannot currently anticipate, due to fast-changing technologies. It is imperative that educators maintain their own

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professional development and continue their education to meet the demands of providing a modern and quality education to our Nebraska learners. This legislation provides a clear, defined career path for educators by specifying that the teacher education allowance is based on those certified teachers assigned to teach classes in the subject area or field of their degree or degrees. As a teacher candidate looking at a starting salary in the low \$30,000's and with student loans to pay, every financial reward that can be provided will be most helpful and appreciated. Thank you for the opportunity to testify today, and I'd be honored to answer any of your questions. [LB416]

SENATOR SULLIVAN: Thank you for your testimony, and... [LB416]

MEGAN BROWN: Thank you. [LB416]

SENATOR SULLIVAN: ...thank you for thinking about working in rural Nebraska as a teacher. [LB416]

MEGAN BROWN: Thank you. [LB416]

SENATOR SULLIVAN: I hope that's where you go, anyway. [LB416]

MEGAN BROWN: Yeah. My hope is that I can be in rural Nebraska... [LB416]

SENATOR SULLIVAN: Uh-huh. [LB416]

MEGAN BROWN: ...so... [LB416]

SENATOR SULLIVAN: Your thoughts right now in terms of working toward your master's degree: so you're really expecting to go right into the work force and then work on your master's as you're employed, is that your thought at this point? [LB416]

MEGAN BROWN: Correct. And I think that perspective is pretty unanimous among my peers currently. [LB416]

SENATOR SULLIVAN: Um-hum. [LB416]

MEGAN BROWN: We expect to enter the work force and then gradually work towards a master's degree, if not immediately. So the main perspective, especially the people in our association... [LB416]

SENATOR SULLIVAN: Um-hum. [LB416]

MEGAN BROWN: ...we think of ourselves as teacher-leaders. And the component of professional development and continuing our education is something we're thinking

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about now while we're still in our undergraduate schools, so... [LB416]

SENATOR SULLIVAN: Um-hum. Thank you very much. [LB416]

MEGAN BROWN: Thank you. [LB416]

SENATOR SULLIVAN: Senator Cook. [LB416]

SENATOR COOK: Thank you, Madam Chair. [LB416]

SENATOR SULLIVAN: Um-hum. [LB416]

SENATOR COOK: And thank you, Ms. Brown, for coming today and for staying with us... [LB416]

MEGAN BROWN: Thank you. [LB416]

SENATOR COOK: ...till...it's probably dark when we get out of this building. I have a question related to yours and your peers' attitude toward pursuing a master's and beyond. Would you say that that was in order to get more deeply into your area of expertise and to impart that on to your students? Or would you say that's a way to maximize your ability to move up the ranks, if you will, into administration and perhaps to superintendent or...and/or both? [LB416]

MEGAN BROWN: I think that there's even almost three areas of that. As we all know, there's the pay scale; so starting out at \$30,000 with student loans and as we start thinking about having families, moving up that pay scale is almost a necessity. So that's part of it. But more importantly, I think it has to do with being able to meet the demands of our students, because as time goes on the student needs will change. We already anticipate that when we're teaching our students, we're teaching them for a future we don't even...we can't even conceptualize yet. So continuing our education, we think of that as an absolute necessity. So that's kind of, I think, one of the points you addressed. And then also, as we advance through our degrees, that component of teacher-leadership--even if we maintain our teaching careers and not get into administration--being a teacher-leader, I think, is something that is really important to us. And the more leadership roles that we take, I think that will benefit students. Whether it's coaching or doing after-school activities with the students, I think that's a really important component in student learning. [LB416]

SENATOR COOK: Okay. Thank you. [LB416]

MEGAN BROWN: Thank you. [LB416]

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SENATOR SULLIVAN: Senator Haar. [LB416]

SENATOR HAAR: Not a question but a...just thank you for doing... [LB416]

MEGAN BROWN: Thank you. [LB416]

SENATOR HAAR: ...what you're doing and for entering the teacher corps. [LB416]

MEGAN BROWN: Thank you so much. [LB416]

SENATOR HAAR: Those teacher genes are just fine in your family. I had some of those too. I... [LB416]

MEGAN BROWN: They're everywhere, yeah. Little brother wants to be a math teacher now. So... [LB416]

SENATOR HAAR: Excellent. [LB416]

MEGAN BROWN: ...yeah. [LB416]

SENATOR SULLIVAN: Thank you for your testimony. [LB416]

MEGAN BROWN: Thank you so much. [LB416]

SENATOR SULLIVAN: Um-hum. [LB416]

MEGAN BROWN: I appreciate it. [LB416]

SENATOR SULLIVAN: Welcome. [LB416]

DOUG CHRISTENSEN: (Exhibit 4) Thank you. Senator Sullivan, Chair of the committee, and members of the committee, my name is Doug Christensen, D-o-u-g C-h-r-i-s-t-e-n-s-e-n. I am currently professor of leadership in education in the graduate division of Doane College. And with me is Dr. Lyn Forester, sitting behind me, who is dean of education for the college. Thank you for the opportunity to provide testimony in support of LB416. The capacity of our schools to do the work of effectively teaching all of our children is directly related to what this bill and LB645 are trying to do. Thank you, Senator Kolowski, for your sponsorship and leadership on this important policy initiative. You've been here a long time, and I'm not going to go through every word that's on my testimony; you can read that when you have a moment. But let me hit two or three high points. The research is inarguably established that there are three factors that account for the achievement of students: home, environment, and the teacher. Home and environment count for 70 percent of that achievement; teachers account for 30 percent

of it. Now that may seem like a small amount, but that's what the school is able to put into the formula that makes a difference when it comes to student achievement. So it means that teachers are very important. And good teachers are even more important. In fact, the more than we can invest in our teachers, the better off we will be and the better our students will learn and achieve. In Nebraska, four out of every ten students are at risk for at least one factor that's outside of the school that determines achievement: poverty, mobility, disability, and learning the English language. The only hope we have of addressing what each student brings to the classroom is the quality of the teacher that he or she experiences while they're in school. The research is also clear it matters what teachers know and can apply. What they know and can apply about the subjects and disciplines they teach, the more they know about those subjects and disciplines, the better they can teach. What they know and can apply about the strategies of how to teach those disciplines effectively. And what they know and can apply about the strategies that are required to teach each and every child, regardless of what the student brings to the classroom. We have learned from experience from many schools--and you've heard from some of them today that already provide incentives for teachers--and from a growing body of research that investing in teachers by providing resources to schools has very important payoffs. Some of them are: schools then are more likely to hire those individuals with advanced degrees and advanced education; secondly, schools are more likely to provide incentives for teachers to move into those areas that they need and there is a specialization, like international baccalaureate, advanced placement, STEM areas, and so forth; teachers with advanced degrees are also likely to stay put, they create stability in a school system; and, finally, teachers with support for continuing education are more likely to teach in critical areas and move into those areas, such as special education, STEM, or other shortage areas. It is time to rethink and refocus TEEOSA incentives for highly qualified teachers and for the continuing education of teachers. We support LB416 that sunsets the current practices and sets the stage for reconsideration of those incentives. Thank you. [LB416]

SENATOR SULLIVAN: Thank you. Any questions for Mr. Christensen? Senator Seiler. [LB416]

SENATOR SEILER: I strongly agree with your program. The question that I have, as a policy, is that we're shortchanging 190 out of the 294 districts by not giving them any credit whatsoever for the same program. If, and which I believe, this program is that important, shouldn't we be looking at a policy that covers all these school districts, all 249? [LB416]

DOUG CHRISTENSEN: Absolutely. [LB416]

SENATOR SEILER: I was hoping (inaudible) that. [LB416]

DOUG CHRISTENSEN: Absolutely. I don't like the current formula...the application of it

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to TEEOSA, because it does the very thing that you said. Now, are there ways to do that in TEEOSA? Yes, there are. I just think the current practice needs to be reconsidered and looked at, because every school district should be encouraged to hire the best teachers they can. [LB416]

SENATOR SEILER: Well, it also stops one school district from stealing from the other. [LB416]

DOUG CHRISTENSEN: Exactly. [LB416]

SENATOR SEILER: (Laughter) Oh, you guys wouldn't do that. No. [LB416]

DOUG CHRISTENSEN: Yeah, that...I don't know that that ever happens; but, yeah, it should be stopped. [LB416]

SENATOR SEILER: Thank you very much. [LB416]

DOUG CHRISTENSEN: Thank you. [LB416]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. [LB416]

DOUG CHRISTENSEN: Thank you. [LB416]

SENATOR SULLIVAN: Welcome. [LB416]

JOHN SKRETTA: (Exhibit 5) Good afternoon. Senator Sullivan and Senators, distinguished members of the Education Committee, my name is John Skretta; that's J-o-h-n S-k-r-e-t-t-a. And I am the superintendent of the Norris School District. So I was thinking, we stole an incredible teacher from Gretna a few years ago (laughter), who was one who was on the list of those potentially here to testify today. But I didn't want to bring her around anyone else from another district. So...no. I want to start off by thanking you for your service and thanking you for your diligent and careful consideration of state aid legislation, which I know inherently lends itself to the discussion about winners and losers, or whiners and moochers, I'm not sure which phrase is more applicable sometimes. And I know you may grow weary of seeing that endless procession of suit-wearing "supes." And I'm here to advocate for a particular allowance, but I'm going to try and give you a more persuasive argument for that, for LB416, based upon something more than blatant self-interest, because I think it's good educational practice. Norris is an equalized district; as such, we rely heavily on state aid and those state resources to fund the programs and personnel of our district. The teacher ed allowance in law makes a big difference for us. And that proposed by Senator Kolowski and also that advocated by Senator Haar is really a pretty simple thing to kind of, I think, wrap your mind around, as far as its impact. We'd say it's one

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element of state aid that makes a great deal of sense and would urge you to retain it, in fact, advocate for it as keeping that element as an element of educational leadership and state policy commitment. That matters. A few pertinent facts about Norris relative to this. We do manage things efficiently; we value fiscal restraint; we've had the lowest per-pupil cost in the state the last couple years running. And that's based on a compilation of AFRs submitted from external audits and recorded and compiled by NDE. So I just want to emphasize it's not as a profligate spender seeking yet another handout that I'm here in front of you today but instead, really, talking with you as a rep of a district where we believe, as many of us do in the education community, that it's just money well spent to hire the most qualified teachers, who possess the highest educational credentials. And you're going to hear from one such Norris educator following my testimony. And I can assure you, having observed Cindy Larson-Miller's classes, it's going to be a lot more compelling than anything I have to say. Now I know that, in your shoes, you must consider so many different arguments, so many different lines of reasoning related to state aid that, understandably, you would entertain a healthy degree of skepticism about any assertion about the validity of one component versus another. So what I can tell you is, here is our "why," for representing the Norris district: it's about ACT scores, the number of students enrolled in dual-credit courses. Those are largely exclusively taught by Norris teachers who possess those master's degrees that we're talking about. I know there's a desire to simplify the formula, and I think some simplification of the labyrinthine state formula makes good sense. But in this case, the teacher ed allowance is something that embraces best educational practice. Seventy-six percent of our teachers possess master's degrees. So our teachers' commitment to continuing professional growth results in better pedagogy. And I believe Senator Kolowski's proposal as well as Senator Haar's, for that matter, address timely and relevant concerns in assisting districts to meet the cost burdens attached, with having a concerted effort to hire and retain teachers who possess master's degrees. That will conclude my remarks, and I'd certainly entertain any questions. And I want to thank you again. [LB416]

SENATOR SULLIVAN: Thank you very much. Are there questions? Senator Seiler. [LB416]

SENATOR SEILER: I have just one. Do you believe that we ought to have school board approval for adoption of that system? [LB416]

JOHN SKRETTA: For adoption of... [LB416]

SENATOR SEILER: For that criteria laid out for college...or, excuse me, master's degrees all the way up to doctorate. [LB416]

JOHN SKRETTA: You know, I know different districts do different things. I will tell you, one of the things that concerns me is if the...let's face it, I believe that what the formula

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is doing right now, with this allowance, is it's incentivizing best practice. And now some districts, like you've heard from Millard and Bellevue, have systematized that practice. And that's what we've done too. Here's the approach that we've taken at Norris, just speaking for us, and what our school board has always told me and the directive they've given me, and this is what, I'm afraid, could change if that goes away, is they've always said, regardless of what it costs, you hire the best person for the job. And the practical outcome of that for us has been now we have 76 percent of our teachers with master's degrees. [LB416]

SENATOR SEILER: Right. [LB416]

SENATOR HAAR: Wow. [LB416]

JOHN SKRETTA: Yeah. [LB416]

SENATOR SEILER: But that is your school board policy, to support that type of approach. [LB416]

JOHN SKRETTA: Yep, that's been our practice. [LB416]

SENATOR SEILER: Thank you. That's what I wanted to know. [LB416]

SENATOR SULLIVAN: Senator Haar. [LB416]

SENATOR HAAR: Well, bouncing off a comment from Senator Seiler, in my viewpoint, every school...we're talking about the factors that go into determining the need for every school. Now, based on those needs...and you subtract resources, and some schools get the aid and some don't, but every school gets credit for what's in that TEEOSA formula. So do you think that the teacher education allowance is a need, or is it "frosting"? [LB416]

JOHN SKRETTA: I think it's a need. And I identify it as a need because it's a...and I think you heard the same thing related to the York district and Superintendent Lucas, what he submitted. But for us, it's 16 percent of our state aid. It's a...and there are ways where you can do some computations and modeling related to money flowing back into general fund, you know, your basic per-pupil funding, but it's unlikely that that would all come back to us. We'd certainly take a pretty substantial hit if that goes away. And it's...it's a real cost factor for those teachers. For us, for instance, on our salary schedule it's \$7,500 more, you know, just right on the schedule. If you're, you know, if you come in with a master's, it's that much more, and so it adds up when you factor that with 75 percent, or three-fourths, of our teachers. [LB416]

SENATOR HAAR: So, again, just pursue that a little further. Every school gets

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evaluated based on their need, every school. And some don't get equal state aid because of the resources that they have. But do you see a greater need for this allowance in any-size school, or... [LB416]

JOHN SKRETTA: No, I think that some form of indexing, as, I believe, you've proposed in LB645, is inherently more equitable than the current practice, because what happens right now, if I'm LPS, gosh, you're feeling like this is the most arbitrary and capricious piece of the formula because you're hovering in that no-man's-land where you don't know how much closer can you get and not get anything in return, and yet, you know, I would suppose they want a higher...similarly. [LB416]

SENATOR HAAR: Thank you. [LB416]

SENATOR SULLIVAN: Any other questions? Thank you. [LB416]

JOHN SKRETTA: Thank you. [LB416]

CINDY LARSON-MILLER: Hello, Senator Sullivan, members of the Education Committee. I'm Cindy Larson-Miller, Cindy, C-i-n-d-y, Larson, L-a-r-s-o-n hyphen Miller, M-i-l-l-e-r. And I want to thank you for allowing me to be with you today. I am here as a classroom teacher. I teach science at Norris High School: teach ninth-grade science, which is largely physical science, and advanced biology that is a dual-credit program through Peru State College currently. People ask me all the time...well, as a Ph.D. student I couldn't wait to get back to the classroom; I ached for it. I had been out of the classroom several years, and I just couldn't wait to get back to where the learning is...it's palpable in a high school; it's...you feel it. It's heavy, and it's amazing, and I couldn't wait to get back there. And people ask me all the time: Why go get a Ph.D.? Why go to all that work just to take it back to a classroom? And they follow that by: And is anybody going to hire you anyway; aren't you going to be too expensive? My answer to the latter is, I couldn't control that, right? I just had to hope that a school like Norris would appreciate and support my efforts and give back some to the financial burden that my family and I took in getting that degree. My answer to the former, of why, is because I'm a better teacher because of all those experiences with education that I've had. I expect my kids to be lifelong learners, and that's what I am. And I continue to do it because it makes me a better teacher. And I can give you that example with the way I teach. I put down a periodic table of the elements in front of my students, and they say: Do I have to memorize this? And I say: No; experience it: look at the chemicals; what do they do, watch them, look at patterns, look at trends; experience it; you'll get it, it's going to soak in, you don't have to memorize it. I look at my education the same way. Every touch that I have with higher education, every touch I have with expanding my perspective and increasing my risk-taking to help kids inquire and learn allows me to be a better teacher. And that's a powerful tool to have in my toolbox when I go to the classroom, and I just want more teachers to have that incentive; I want more teachers to be supported in

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adding that tool to their toolbox. [LB416]

SENATOR SULLIVAN: Very good. Any questions for... [LB416]

CINDY LARSON-MILLER: I welcome any questions. [LB416]

SENATOR SULLIVAN: Senator Haar. [LB416]

SENATOR HAAR: Forty-seven years ago, I taught chemistry. Are there still atoms and molecules? (Laughter) [LB416]

CINDY LARSON-MILLER: There are. And quarks now too. [LB416]

SENATOR HAAR: Oh, quarks. That's kind of scary. Now, one part of the way we're talking about the teacher education allowance would seem to say...and I think Senator Kolowski's bill has this in, too, that the money that would come through here would probably flow to teachers in their salaries in some form or another, but only in the area...for example, having a Ph.D. in English, you wouldn't get that advantage if you were teaching chemistry. [LB416]

CINDY LARSON-MILLER: Um-hum. [LB416]

SENATOR HAAR: Do you think that's a problem? Should it just be based on the degree, or should it be involved with the area that you're teaching? How do you feel about that? [LB416]

CINDY LARSON-MILLER: I almost think it's regardless of the discipline, because it's a confidence level. It's being confident in your ability to teach in a way that people will understand. And whether that is...I sat down at the table when Norris was hiring me, and they asked me if I was willing to teach chemistry. And I said, it's a stretch for me, but, honestly, with the education and the experience that I have had, I feel that I could teach anybody anything, really. So it's twofold. Yes, I think it might be regardless of the content. I think it's also equally powerful to be so confident in your ability to teach the content that you're willing to stray from a script. And if you have that content expertise, you can do that. You can stay true to your standards, but you can allow kids the opportunity to take risks and step outside, and be able to pull them back in when you need to. I think the answer is twofold, really. [LB416]

SENATOR HAAR: Are bosons smaller than quarks, or aren't they even related? [LB416]

CINDY LARSON-MILLER: (Laugh) I think even smaller. [LB416]

SENATOR HAAR: (Laugh) Thank you very much. [LB416]

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CINDY LARSON-MILLER: Thank you. [LB416]

SENATOR HAAR: Thanks for what you do. [LB416]

CINDY LARSON-MILLER: Thank you for having me here. [LB416]

SENATOR SULLIVAN: Any other questions? Yes, and thank you for what you do. [LB416]

CINDY LARSON-MILLER: Thank you. [LB416]

JOHN NEAL: Good afternoon again, Senator Sullivan... [LB416]

SENATOR SULLIVAN: Yes, um-hum. [LB416]

JOHN NEAL: ...members of the Education Committee. Because I've testified on a previous bill, LB645, that's very similar, I going to err on the side of brevity, with the lateness of the day. And we're very much in support...my name is John Neal, J-o-h-n N-e-a-l, assistant to the superintendent with Lincoln Public Schools. And we're in support of LB416 because I think it moves us beyond the question of whether to keep or not keep the teacher's education allowance, because of the previous concerns expressed by multiple testifiers, and moves us to an interim study to allow us to measure and find out, do we want to keep this; if we do, how will we keep it, and how will we distribute the funding to the districts? And I think that opportunity to study it will be invaluable, both for our districts but also for our students. Thank you. [LB416]

SENATOR SULLIVAN: Any questions for John? Senator Haar. [LB416]

SENATOR HAAR: So to put you on the spot, John... [LB416]

JOHN NEAL: Great. [LB416]

SENATOR HAAR: ...(laugh), of course, should we leave it as it is and study it? Or should we change it now to make it better right now? And you can say yes to both, if you'd like. [LB416]

JOHN NEAL: Oh. I think it's...whenever you have a chance to make something better, I would say err on the side of making something better as you continue to study it. I think the opportunity to study over time is one of the great opportunities that we have with the entire process of funding for schools. [LB416]

SENATOR HAAR: So I'll accept "yes" as an answer. Thank you. [LB416]

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JOHN NEAL: Okay. Yeah. [LB416]

SENATOR SULLIVAN: Thank you, John. [LB416]

JOHN NEAL: Thank you. [LB416]

SENATOR HAAR: He ought to run for public office. [LB416]

SENATOR COOK: Why would you say something like that about him? He seems like a nice person. [LB416]

SENATOR HAAR: He is. I really enjoyed working with him. [LB416]

BILL MUELLER: (Exhibit 6) Senator Sullivan, members of the committee, my name is Bill Mueller, M-u-e-l-l-e-r. I appear here today on behalf of Millard Public Schools. As I said on the previous bill, Angelo Passarelli went back to school for a board meeting tonight. And, by the way, his last name is spelled P-a-s-s-a-r-e-l-l-i. The page is handing out a letter that Mr. Passarelli was going to provide you. I would just say that Millard does support Dr. Kolowski's LB416, and we would urge you to advance it. The superintendent from Norris talked about how important the teacher education allowance was to his school, and I don't have the numbers in front of me, but a combination of the teacher education allowance and the instructional time allowance results in millions of dollars to Millard. So this is a very critical issue to them. And we would urge the committee to retain both those allowances, certainly make them better. And we would again pledge our commitment to participate in a discussion about how we make teacher education allowance better and how we do more clearly define what is effective instructional time allowance. I'd be happy to answer questions the committee may have. [LB416]

SENATOR SULLIVAN: Any questions for Mr. Mueller? Okay. Thank you. [LB416]

BILL MUELLER: Thank you. [LB416]

SENATOR SULLIVAN: (Exhibit 7) Um-hum. Any further proponent testimony? I'd like to read into the record a letter of support for LB416 from Dr. Ron Bork, dean for College of Education at Concordia University. Any opponent testimony? Anyone wishing to speak in a neutral capacity? Senator Kolowski, for closing. (See also Exhibit 8) [LB416]

SENATOR KOLOWSKI: Thank you, Madam Chair. I thank you for the opportunity to...for this proposal today. I think it's extremely important on LB416 that we, again, look at what we were talking about. And I'll be very brief on this. What I said about the progression of the profession is extremely important. And I think that that is in the

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opposite direction of a regression, which I think we would be doing if we happened to take the teacher education allowance out of TEEOSA and not have that as part of what we do for the teachers of Nebraska. I feel the same way about instructional time but will stick with the teacher education allowance as far as the current bill before us. I want to thank those who testified. And the idea of all that we're doing as far as it improves student performance is at the heart and soul, as I've said in here a number of times, of all that we should be asking about educational progress in our state. The rigor which we've talked about all day today is extremely important, the academic rigor. But it's also balanced by the relevancy of the culture and climate of the building and the district that a person is working in or students are learning in and the relationships of all the participants that are at the table, as far as the parents, the students, the administrators, the teachers making education a quality item across the board. I'll steal something from Senator Haar's comment about, "Is it a need, or is it a frosting?" I think we're talking about a needed frosting. And I think it's very important that we keep this alive in our state and make a difference for the quality of a decision, as you've heard from Megan Brown here today, to go into the teaching profession and to be there in the state of Nebraska for her career. That's...those are the kind of students we desire, we seek, and we want them to flourish in an opportunity across our districts, across the state, to have a wonderful career and have impact upon the lives of the students they teach. Now I thank you very much. [LB416]

SENATOR SULLIVAN: Thank you, Senator. Any questions? Very good. [LB416]

SENATOR KOLOWSKI: Thank you. [LB416]

SENATOR SULLIVAN: This closes the hearing on LB416 and our hearings for today. Committee, can you wait just a minute and we'll decide how we're going to go forward. [LB416]