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Floor Debate  
February 05, 2014

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[LB96 LB382 LB393 LB494A LB588 LB692 LB725A LB725 LB781 LB791 LB813 LB909  
LB1075 LR41CA]

SENATOR GLOOR PRESIDING

SENATOR GLOOR: Good morning, ladies and gentlemen, and welcome to the George W. Norris Legislative Chamber for the twentieth day of the One Hundred Third Legislature, Second Session. Our chaplain for today is Pastor Phil Harris of the Crossroads Wesleyan Church in Imperial, Nebraska, Senator Christensen's district. Please rise.

PASTOR HARRIS: (Prayer offered.)

SENATOR GLOOR: I call to order the twentieth day of the One Hundred Third Legislature, Second Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: I have a quorum present, Mr. President.

SENATOR GLOOR: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: I have no corrections, Mr. President.

SENATOR GLOOR: Are there any messages, reports, or announcements?

CLERK: I do. Your committee on Enrollment and Review reports LB96 and LB588 as correctly engrossed. I have gubernatorial appointment letters with three appointments to the Motor Vehicle Industry Licensing Board; those will be referred to Reference. New A bill, LB494A by Senator Davis, (Read LB494A by title for the first time.) Notice of hearing from Retirement Systems Committee. And, Mr. President, the Agriculture Committee will meet in Exec Session in Room 2022 immediately; Agriculture in 2022 immediately. That's all that I have. (Legislative Journal pages 453-454.) [LB96 LB588 LB494A]

SENATOR GLOOR: Thank you, Mr. Clerk. We'll now move to the first item on the agenda. Mr. Clerk.

CLERK: Mr. President, LB382 is on General File. It is a bill originally introduced by Senator Janssen. (Read title.) The bill has been discussed as of January 28. I do have amendments pending. I have a priority motion, Mr. President. Senator Janssen would move to bracket LB382 until April 17, 2014. [LB382]

SENATOR GLOOR: Senator Janssen, you're recognized on your motion to bracket.

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[LB382]

SENATOR JANSSEN: Thank you, Mr. President. LB382 is something that, I think, we have had full and fair debate on, whether it's eight hours or not, and in the reality, I've looked at the numbers on this particular bill across the floor and while I think there are 25 votes, there are not 33 votes for this bill and I am certain that there are state senators on this floor that would take it all the way. And while I am a less government guy, I have no issues with taking time, but I know there are some issues that we all want to get put to the forefront of the legislative agenda. And I can certainly understand that. We don't need to take 14 hours on this bill or 8 hours or whatever. So I would ask to bracket this bill and I would ask for unanimous consent. [LB382]

SENATOR GLOOR: Seeing no objection, so ordered. Mr. Clerk, next item on the agenda. [LB382]

CLERK: Mr. President, the next bill, LB725, it's a bill by Senator Sullivan. (Read title.) The bill was introduced on January 9 of this year; referred to the Education Committee. The bill was advanced to General File. I have no committee amendments. I do have an amendment to the bill from Senator Sullivan. [LB725]

SENATOR GLOOR: Thank you, Mr. Clerk. Senator Sullivan, you're recognized to open on LB725. [LB725]

SENATOR SULLIVAN: Thank you, Mr. President, and good morning, colleagues. LB725, a bill that amends TEEOSA, the Tax Equity and Educational Opportunity Support Act, by decreasing the local effort rate, the LER, for the 2014-15 school year from \$1.03 to \$1.00. First, I'll just give you a little tutorial and remind you about the TEEOSA formula and an explanation of the LER. The LER, local effort rate, is applied to a school district's adjusted valuation to arrive at a yield from that local effort rate which is the measure of property tax resources which is used to calculate equalization aid. In other words, irrespective of what a local levy actually is, the LER is what the formula expects to be exacted from the local property tax base. Furthermore, in the larger context, the lower the LER the more state aid that goes into the formula. What does that mean in dollars and cents for this year? Well, under current law, the TEEOSA aid for 2014-15 is estimated at approximately \$900 million. With LB725, lowering that local effort rate, putting more state aid into the formula, aid increases by approximately \$35.7 million for a total of \$935.6 million. It's also important to remember the amount currently appropriated is approximately \$940.2 million. So why is it important to enact LB725? Well, first of all, I believe school districts stepped up to the plate during the recession and they endured the decreases in aid following the ARRA funding without a whole lot of complaining. They knew they had to do their part despite rapidly increasing numbers of students in some districts and, certainly, rising expectations on the part of patrons and families. However, now the economy is on the mend and our children deserve to

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have their schools funded in a way that allows educators to focus on education instead of simply how to pay the bills. Secondly, by doing this now, the increases in TEEOSA, the next biennium, will not be so dramatic. There will be a smoother transition. If you remember, under current law the LER is already poised to go to a dollar in the '15-16 year school year. This simply moves up the transition a year. A couple of other things to emphasize about this legislation. No one loses aid under this proposal. Now you have received modeling in all your offices that models LB725. It does show some districts realizing a decrease, but not because of this particular piece of legislation. When we put out these models, I know we stand the chance of it being a bit confusing. And you actually have three different models that have been given to your offices. The first one came probably about 10 days to two weeks ago that models LB725, the one that I'm referring to. After that, you received a second model that models the aid under current law, the \$900 million. And then just recently, you received a third model that I'll be talking about in an amendment that I'm proposing to be attached to this bill. But the first one that you received showing the impact of LB725 lowering the LER and showing the total package being approximately \$935 million. But as I mentioned, under this piece of legislation, even though you will see some decreases in aid for some particular districts, it's not because of the components of LB725. Reasons that some districts will see decreased aid next year with or without LB725 include the fact that retirement aid is going away. There have also been changes in student populations, and we certainly cannot overlook the fact that we continue to see increases in ag land values. And because of that, as you have heard me say many times and you well know that we continue to see a growing number of nonequalized school districts. With this bill, there would be 124 nonequalized school districts in the model. Remember last year we had approximately 114. With 124 nonequalized school districts in LB725, that is actually six less than predicted under the current estimate. In other words, six districts will continue to receive equalization aid under LB725. It's small, but actually a form of property tax relief for those districts. You may wonder why the estimate for this year's TEEOSA aid is so much lower than what had been appropriated. I suspect there may be a couple of reasons. I already mentioned the impact of the continuing increase in ag land values and the impact that has in moving more districts to nonequalized status and, as a result, receiving no equalization aid. And quite frankly, it also reflects a reduction in school spending growth as they weathered the storm of the Great Recession. I believe it's very important that we move forward with LB725 so that we can continue to guarantee the financial resources that have already been appropriated to TEEOSA, that go...in fact go to districts for the 2014-15 school year. There is some urgency as well. And I appreciate the fact that the speaker scheduled LB725 today, because under current law, March 1 is the date for the Department of Education to certify aid for school districts for the coming year and it certainly would be nice to keep that deadline. So I appreciate your consideration of LB725 and encourage you to support it. Thank you, Mr. President.  
[LB725]

SENATOR GLOOR: Thank you, Senator Sullivan, for the opening on LB725. The

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cupcakes given out today were given by Senator Dubas in celebration of her 40th birthday. Congratulations, Senator Dubas. Mr. Clerk for an amendment. [LB725]

CLERK: Mr. President, Senator Sullivan would move to amend with AM1683. [LB725]

SENATOR GLOOR: Senator Sullivan, you're recognized to open on your amendment. [LB725]

SENATOR SULLIVAN: Thank you, Mr. President. AM1683 would simply allow the Department of Education to adjust for a data issue regarding the student growth adjustment in the TEEOSA formula. This is an issue that I only recently became aware of when the Department of Education brought the concern to our office on behalf of one of the affected school districts. The issue being addressed grew out of a clerical error that was made by several school districts in their student growth adjustment applications. The districts were focused on the growth in their formula students and did not realize that they were incorrectly including their preschool students in the calculation. This amendment allows the department to focus on the estimated growth so that the adjustment can be calculated appropriately. With the changes in this amendment, no school district will get any more or less than they should over time. The amendment also avoids penalizing districts for a simple error and avoids causing unnecessary instability in their aid. As I stated in my opening on the bill, the department released yet another state aid model just yesterday that reflects this amendment and a link has been sent to your office. So yet another model, but...and again, not to confuse you in the three different models that you've received, but in our efforts to be transparent in this process and to show you that the total and thorough impact of all these decisions that we're, ultimately, making is why we've sent you these documents. The amendment really does need to go with this bill also so that the corrections can be made before aid is certified for this next school year. So I encourage the adoption of AM1683 and I would certainly be happy to attempt to answer any questions. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Sullivan. Members, you've heard the opening on the amendment...on the amendment to LB725 and LB725. We now move to floor discussion. Senator Adams, you are recognized. [LB725]

SPEAKER ADAMS: Thank you, Mr. President. Members, Senator Sullivan has done a good job of explaining all of this. I was reluctant to even turn my light on. But having worked in this area, I want to reinforce the work that she is doing here and this bill and the committee. And it...if you're wondering what you ought to do on this bill, look at it this way. Under current law, and Senator Sullivan has outlined all of this for you very clearly, aid is anticipated...or was anticipated to go out at about \$940 million. We planned on that last year when we built the budget for the second year. But when models were run more recently, it showed the total calculation as being less. And my guess is, a lot of

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that has to do with double-digit ag valuation growth. So in a sense, if we don't touch TEEOSA, the state would see a gain of approximately \$40 million not going out. That leaves you with choice number one to think about. You want to leave it in the Cash Reserve? That is one option. You want to spend it on something else? That's another option. Or do you want to take the route that Senator Sullivan and the committee has offered to run it back through the formula and get it back out to schools. The route to go is right here. And it's my limited opinion that if you're going to mess around with the TEEOSA formula and look for a way to reinject \$35 million, the way to do it is with a local effort rate. You're not messing with any other element of the formula. What you are simply saying as a body is that look, we're going to hold schools less...less accountable for their ag valuations. Well, their valuation period, ag or otherwise, when we calculate the resource side of the formula. This was going to happen anyway. The LER was going to come down as a result of the bill last year, it was going to come down next year. It comes down now under this. Now does it mean that every single school district in the state will benefit? Not necessarily. Does it mean that property taxes will go down? There could be a handful of school districts that their school boards could choose to lower their property taxes based on this if it works. But Senator Sullivan has correctly pointed out what you're really going to see is some marginal schools move from being nonequalized over to being equalized. And we're holding their tax base less important in the aid calculation; which, if we're worried about property taxes, this doesn't solve the problem, but it certainly is a step in the right direction. And it's the simplest way; I applaud the committee and Senator Sullivan for going to this element. This element, remember, that the LER, we had to raise this up in 2009 in order to work our way through the recession. We had to say to every school district in the state, hey, we don't have the money here, so you're going to have to find it in the property tax side and we're going to hold you more responsible for your valuation. The right thing to do has been to start to decrease this LER. All this is doing is taking it to the \$1 where it typically lands when we're not messing with the formula. I think it's a good move. I think Senator Sullivan has got the right idea here. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Adams. Senators in the queue: Kolowski, Kintner, and Christensen. Senator Kolowski, you're recognized. [LB725]

SENATOR KOLOWSKI: Thank you, Mr. President. I also want to thank the Speaker for his comments and Senator Sullivan for her leadership in this committee work that has brought AM1683 and LB725 to us this morning. As a member of the committee, I believe this is the very best way we can go at this point in time. Our continued discussions on all aspects of the TEEOSA formula will continue. And I'm proud of the committee and its work to bring this forward. And again, thanks to Senator Sullivan for the solution she's brought this morning. I encourage your "yes" vote on both of these. Thank you. [LB725]

SENATOR GLOOR: Thank you, Senator Kolowski. Senator Kintner, you are

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recognized. [LB725]

SENATOR KINTNER: Thank you, Mr. President. You know, we get deep in the weeds on education. It's not where I spend my time learning all these issues and I'm working to educate myself more and more. But it...when I see \$40 million sitting around, I just know that it's so...the urge to spend that money just overtakes this body and it happens every time there's money sitting around. The thought of just giving it back to the taxpayers is just beyond the collective imagination of this body. When we have money sitting around, it's got to be spent. So I would like to ask Senator Sullivan, Chairman Sullivan, a question or two if she will yield. [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield? [LB725]

SENATOR SULLIVAN: I will. [LB725]

SENATOR KINTNER: Just so I understand...let me walk through a couple of components here. We spend this \$40 million, put it back in TEEOSA, there's no guarantee of tax relief, right? [LB725]

SENATOR SULLIVAN: Well, as I mentioned, and also Senator Adams indicated, that with the lowering of the local effort rate, it does in the whole calculation for our 249 school districts allows a handful of them, six to be exact, to keep from going to nonequalized status. And when they fall into that status, they get no equalization aid. So it keeps those six districts receiving a little bit more state aid, and in so doing less emphasis on their local property tax base and in some ways property tax relief for those districts. [LB725]

SENATOR KINTNER: Would those districts see a tax increase? If we didn't do it, are they going to have more taxes? [LB725]

SENATOR SULLIVAN: Not necessarily. It truly would depend on what the local districts would decide to do. But they will, those six districts, will realize more, what we call, equalization aid going out in their state aid. So they'll have more support from the state and it could mean that they won't be raising their property taxes if they have room in their levy, or, perhaps, they would even be able to lower them. [LB725]

SENATOR KINTNER: Thank you, Senator Sullivan. You know, I see \$40 million sitting there and I say give it back to the taxpayers. We don't do that very much. And I...one of the priorities this body ought to be education. It says in our constitution we got to do it and people expect us to do it right and we generally do a pretty good job on it. So I'm not sure where I'm going to vote on this, but it just follows a pattern with me that any time there's money here, we just have an irresistible urge to spend it. And that bothers me. And I'll be listening to debate. And I do thank Senator Sullivan for following her

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passion and putting the money where she thinks it ought to go. I'm not sure if I'm there with her, but I may be. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Kintner and Senator Sullivan. The Chair recognizes Senator Christensen. [LB725]

SENATOR CHRISTENSEN: Thank you, Mr. President. You know, we sit here and we all support education. But it gets real difficult. I come from a district that is almost totally unequalized. We give them...by changing the formula a year ago a little bit, I had a few more get just a little bit of aid. And I don't know if it affects my district this year or not, but I get concerned about every time we give people more money, they spend it. And it doesn't lead to tax...property tax relief or anything else. And it's...over my eight years here, it's gotten real tough to see that, yeah, land values have went up a lot. And so we've went to nonequalized districts. And I know it can reverse, because I'm seeing a drop in land prices in my district; we're going to start seeing the shift back west. But I get concerned. We put more money into this before we see the decrease in the property values. These top schools that are going to get most of this money, what are they going to do when they get used to spending that and we turn around in two, three years the land values have dropped a thousand bucks an acres, maybe two. In my district we've had some drop over \$3,500 an acre. But that won't be reflected yet; it would take a year or two. So then what are them districts that have got used to spending this extra money we're putting in here going to do when it starts shifting west again. I'm afraid there's going to be an extra demand upon this body saying, we got to have more money in here. And so I just want to make people think if this is the right thing to do right now or if it's going to be better to infuse this when ag values are going to drop and all of a sudden the money is going to be needed to maintain even levels for the large schools because I see that coming. I'm in the real estate business; I'm watching the events going on out there. You've had corn prices drop from...between \$7, \$8 to \$4. That's leading to the ag valuation drop. You haven't seen many sales yet leading to the drops. My drops have been because surface water don't get any water no more. We've taken that away. And we chose a year ago not to fund it in LB522. It wasn't a priority of this place. So land values dropped \$3,500 an acre. But that's not reflected yet because it's on very few acres. I've got a bill, hasn't had a hearing date yet, to get the assessors to evaluate land values based off of...sales based off of their water source, surface and ground, because it's not being done everywhere. That all plays into this formula. We need to get that bill. Hopefully, I'll get notice of a hearing before long; but that's a bill that really needs to get done because we're not treating them people fairly. [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR CHRISTENSEN: Thank you, Mr. President. We need to make sure that we're looking ahead and maybe Senator Sullivan can explain to me that this is all being taken care of; won't be a problem, but I have concerns going forward here right now that

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we've got a big hole coming in school aid in the next few years. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Christensen. Senator Krist, you are recognized. [LB725]

SENATOR KRIST: Thank you, Mr. President. Good morning, Nebraska, and good morning, colleagues. I want to applaud the committee for doing what they are doing. I think it's the right thing to do. Remember...and I would remind Senator Kintner and others, this is a constitutional requirement of this body to afford for the education in the common schools of the state and to make the best use of the resources that we have available at the times when those resources are available. Rewind back to 2009, some of you were here, some not, but I will tell you those budget cuts were not easy. We had to rob from every cash fund and balance our budget, because again that is our constitutional duty. And in the hurt that happened after those cuts, education was one of the areas that we had to draw back from. When the money is there, we need to put back that money into the education funds of the state. We do have a crisis coming and as I said, rewind to 2009 when that crisis does come, we will have to make different decisions. Let me say that again, when the crisis does come, and Senator Schumacher predicts it will be a heavy day, we will have to make different decisions. That is our job. That is the Legislature's responsibility, and we'll make those decisions, if I'm lucky enough to come back; I may be here, hopefully, for those decisions to be made. However, I also want to applaud the committee's response with AM1683. I have a school district that made such an error and lost \$200,000 and it's made up in different areas, but the department did know of the error and it knows of an error that's made by other schools districts but statutorily cannot inform the district. This makes it a whole bunch better; they'll be looking at these issues and working together on the issues. So, I would ask for your green vote on AM1683 and LB725 because it's the right thing to do. And thanks to the committee and Senator Sullivan for your efforts. [LB725]

SENATOR GLOOR: Thank you, Senator Krist. Senators wishing to be recognized: Ken Haar, Scheer, and Nelson. Senator Ken Haar, you're recognized. [LB725]

SENATOR HAAR: Mr. President, members of the body, I'd like to thank Senator Sullivan for LB725 and the amendment AM1683. The issue here is local control, folks. If a school district gets more money and they put it into the children instead of into property tax relief, that's called local control. Now if we're that much wiser in the Legislature here and we say, you know, you got to use it this way or that way, well, I'd like you to explain that in terms of local control. And then finally a point that we talk about quite often in the Education Committee and it's not a simple issue, but all districts get state aid. Not every district gets equalization aid, but the whole definition of equalization aid is to balance need minus resources, or you could say needs minus wealth. And so once again I rise in support of LB725. Thank you, Senator Sullivan. And

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I think we have to believe in local control in this case. Thank you so much. [LB725]

SENATOR GLOOR: Thank you, Senator Haar. Senator Scheer, you are recognized. [LB725]

SENATOR SCHEER: Thank you, Mr. President. I rise today in support of AM1683 and it really is, sort of, a simple proposal for those of you that think educational funding is difficult. This is just simply a catch of some statistical errors in relationship to how it was going to...how students were being counted. If we had not made this change...or if we don't make this change, districts will receive some monies that they're not appropriately suppose to receive. It's already caught. So what happens is, the next year those same districts that received too much this year will have to pay it back. They don't want to do that. They'd rather be on a cash basis. They'd like to have whatever money is coming in this year; know that that's the monies that they have to expend. Rather than having X amount of dollars that they know that they're going to have to repay the next year, so they simply just have to pigeonhole it because it will be subtracted next year to offset that. These districts know what is going on; they understand what's going on. It's simply keeping it on a cash basis so that they don't have to worry next year once the state aid comes out that they're going to be penalized for money that they received this year that they know already they don't...they should not be receiving. It's a very simple amendment. It's simply just trying to put things back into perspective of how the money is supposed to flow and to what districts it's supposed to flow to. In relationship to LB725, those that have talked about property tax relief, the possibility is there. But you're absolutely correct, this doesn't guarantee that any district will reduce their mill levies, but neither did it before the change in valuations and if they had received the \$941 million. Any time that districts receive state aid, there's no guarantee, there's no, essentially, thought that you necessarily are going to see property tax relief. In this case, at least in front of the Education Committee, there was one superintendent that thought that might be available with additional dollars. So he had already thought about that possibility. Some other districts brought forward the fact that because of the limitations over the last four, five, six years, since 2009, that they've had to reduce a lot of their maintenance expenses just to take care of their labor costs. Well, maybe this gives them the opportunity to get some of their buildings back in a maintained ability. There are some positives to having those funds flowing in. There is a consistent amount. One can argue, well, it's there so we're going to spend it. One can also argue that we're giving the opportunities for those districts to use the...make better and wiser use of the dollars that are coming their way. Again, that gets back to, as Senator Haar said, the local control issue and how they determine and vote to expend their dollars and what type of relief, if any, that they feel is responsible or pertinent to their district. Having said that, I would urge your support. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Scheer. (Visitors introduced.) Returning to floor debate, Senator Nelson, you are recognized. [LB725]

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SENATOR NELSON: Thank you, Mr. President and members of the Legislature. I stand neither in support or opposed to LB725 and the amendment this time. I do have some questions and maybe Senator Sullivan would respond to those. [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield to questions from Senator Nelson? [LB725]

SENATOR SULLIVAN: Yes, I will. [LB725]

SENATOR NELSON: Thank you, Senator Sullivan. I'm looking both at the fiscal note and then I'm looking at an e-mail from Tammy Barry, the legal counsel for the Education Committee, and on the next to the last paragraph it says that: the model would be \$935.6 million, which is below the \$941.2 (million) that's appropriated. Is that correct? [LB725]

SENATOR SULLIVAN: Yes. Yes. [LB725]

SENATOR NELSON: So we've got about a \$6 million difference there. [LB725]

SENATOR SULLIVAN: Yes. [LB725]

SENATOR NELSON: My question is, how do we come up with the \$35 million? [LB725]

SENATOR SULLIVAN: With the \$935 million? [LB725]

SENATOR NELSON: Yes. [LB725]

SENATOR SULLIVAN: Well,... [LB725]

SENATOR NELSON: No, no... [LB725]

SENATOR SULLIVAN: Excuse me. [LB725]

SENATOR NELSON: It's the \$35 (million) in the fiscal note, the \$35.6 million that we would be spending. [LB725]

SENATOR SULLIVAN: That's the difference between what current statute says, which is approximately \$900 million. [LB725]

SENATOR NELSON: Nine hundred. [LB725]

SENATOR SULLIVAN: And then LB725 lowers the local effort rate, and then that

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results in the \$935 million. [LB725]

SENATOR NELSON: All right, I understand that. Senator Krist has commented, and others have, that we have a constitutional responsibility to fund education. But that can be never ending, and that can go on up. And my question is this, is there a crisis at this time in funding of the schools? [LB725]

SENATOR SULLIVAN: I wouldn't go so far as to say a crisis. I would reiterate, first of all, yes, our constitutional responsibility, but also remind the body that for the last four years, ever since I've been in this body, we have pushed down the state aid going into our school districts via components of the formula. So they have had to curb their spending as well. Now with the economy slowly on the upswing, cautiously I might add, we are adding a component with that LER that adds a little more state aid into the formula which will help school districts, first of all, raises our responsibility in adding more state aid to the formula, but then allows some flexibility for school districts that have really had to curtail their spending for the last four years. [LB725]

SENATOR NELSON: Is that because they've been at the top of their levy? [LB725]

SENATOR SULLIVAN: Well, that and we have also reduced the amount of state aid going out to schools... [LB725]

SENATOR NELSON: Um-hum. [LB725]

SENATOR SULLIVAN: ...via different...the changes that we've made in the formula. So now we can improve those components to send a little more aid. Is it a crisis? You know, I hear from superintendents that have had to use their whole levy for general fund operating expenses, they've not been able to make any improvements with their building fund and other features, so there is some opportunity, perhaps, for them to now do this. [LB725]

SENATOR NELSON: Um-hum. I have the same concerns, of course, that Senator Christensen has about what's going to happen in the next two years...two or three years as farm income goes down and the prices of land and the valuation. I don't know where I read it, but I'm sure I read in the last week or so that even though...because of the high valuation of farm land, they've reduced their levies. The property taxes are still going up for the people in those districts. And we don't have any guarantee or assurance, you know, that they're going to back down if we give them this additional aid. You have...I know... [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR SULLIVAN: Well, it's a balancing act to be sure, and it's one of local control,

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just as Senator Haar mentioned. It's a responsibility to meet their educational obligations that the local school board has to adhere to. So I can't tell you if they will end up lowering their levies even more to give property tax relief. [LB725]

SENATOR NELSON: Um-hum. [LB725]

SENATOR SULLIVAN: But I can't help but think that they will try to do that. [LB725]

SENATOR NELSON: All right. So...thank you, Senator Sullivan. In my mind here, we have to look at our responsibility, but we also have to look at the need and look ahead. And I'm just wondering...I'm wondering out loud and I will continue to listen if at this time, maybe it might not be better to keep this money at the present time and keep it in reserve so if we do have a crisis in a year or two we'll be better able to help the districts out at that time. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Nelson and Senator Sullivan. The Chair recognizes Senator Bloomfield. [LB725]

SENATOR BLOOMFIELD: Thank you, Mr. President. I'd like to ask Senator Sullivan a question if I could. [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield? [LB725]

SENATOR SULLIVAN: Yes, I would. [LB725]

SENATOR BLOOMFIELD: Senator Sullivan, several of us were across the hall in Exec Session when you had your opening. Could you briefly give me just a highlight of that again. [LB725]

SENATOR SULLIVAN: On both the amendment and LB725? [LB725]

SENATOR BLOOMFIELD: Yes. [LB725]

SENATOR SULLIVAN: Well, the amendment, first of all, addresses the allowing the Department of Education to adjust some data issues with regard to student growth adjustment. After the modeling came out for LB725, some districts noted that there were some issues, but according to statute, the department could not correct those issues. With this amendment, it simply allows the department to make those corrections so that not incorrect aid is going out to districts. We want to do it with this bill because then the aid that goes out and that is certified, hopefully, March 1, will be correct so that districts aren't either getting aid that they don't deserve or getting aid that they do...are entitled to. So that's the amendment. Then LB725 just looks at one component of the TEEOSA formula and that's the local effort rate. And that says, irrespective of what your levy is at

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the local level, the TEEOSA formula says you have to exact a certain amount from your property tax resources based on this dollar amount. Right now in current statute, the local effort rate is \$1.03. Under this amendment, we're dropping it...or this bill, we're dropping it to a dollar and, hence, more aid goes into the total package that goes out via TEEOSA. It's still under the total amount appropriated which is about \$940 million. With LB725, we up the TEEOSA amount to about \$935 million. [LB725]

SENATOR BLOOMFIELD: Okay, thank you. [LB725]

SENATOR GLOOR: Thank you, senators. Senator Bolz, you are recognized. [LB725]

SENATOR BOLZ: Thank you, Mr. President. Would Senator Sullivan yield to a question? [LB725]

SENATOR GLOOR: Would you yield, Senator Sullivan? [LB725]

SENATOR SULLIVAN: Yes, I will. [LB725]

SENATOR BOLZ: Senator Sullivan, you and I served on the Tax Modernization Commission this summer, is that correct? [LB725]

SENATOR SULLIVAN: Yes. [LB725]

SENATOR BOLZ: And my memory is that this is one of our recommendations; this is one of the things that we thought was a good recommendation in response to the hearings that we held across the state, listening to the input of hundreds of Nebraskans testifying on their own time. Is that a correct assessment here, that this increases state aid to public schools and is responsive to what we heard in those hearings statewide? [LB725]

SENATOR SULLIVAN: You heard the same thing I did that people value...in the state, value education, they want to see the state put more money into education. And they hope, ultimately, that we achieve some property tax relief. And as I said, while it's not large, with lowering the local effort rate and dropping it to a dollar, we are in some very small way achieving that. [LB725]

SENATOR BOLZ: Very good. That is my recollection as well. And I appreciate your hard work in contributing to the recommendations of the Tax Modernization Committee and bringing this to us as part of the solution to the problem. One more thing, Senator Sullivan, it's my memory that in our research in the Tax Modernization Commission there was some historical analysis that shows when we don't invest in TEEOSA, levies do go up. Is that a correct analysis? [LB725]

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SENATOR SULLIVAN: Well, you have to look at it in the larger picture, and school boards have a responsibility for delivering that education. [LB725]

SENATOR BOLZ: Um-hum. [LB725]

SENATOR SULLIVAN: They aren't wild-eyed spenders; none of them are. And they are trying to provide this quality education, in some cases, under very difficult circumstances. And so if levies need to be raised, they aren't doing it just because they want to spend a lot more dollars; they're doing it because they need to. [LB725]

SENATOR BOLZ: And so a recommendation such as this helps those folks avoid those tough circumstances where they're trying to do right by their school districts and doing the best they can to make their budgets work. So, I appreciate your hard work and your effort in listening to what we heard too over the summer. And I'm certainly supportive of this initiative and appreciate the work of your committee. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Bolz and Senator Sullivan. Senator Kolowski, you're recognized. [LB725]

SENATOR KOLOWSKI: Thank you, Mr. President. I just...fellow senators, please remember the words Senator Sullivan used when she introduced the program today as far as these two pieces. On talking about the economic debacle in 2008 that we went through and the cuts that were ensuing then upon school districts, I know programs were cut, programs were frozen, staff positions were frozen. A lot of things took place in a lot of districts that were very painful as they were moving into a very, very difficult economic time. We are reinstating some of that money back to the districts that will get us to where we need to be. In our last decade, this state has grown by about 100,000 more citizens. Within that, of course, there are a number of students. Our student population has grown in the state. We've got to meet these obligations, assist the districts in meeting their obligations as well through the TEEOSA formula and other things that we can do. The local control aspect is as strong as ever in Nebraska. And we have a growing aspect of state accountability as well. So the local control with state accountability will be the continued discussions as we go into this next decade and we need all the resources we can find to make those differences, to make those changes happen for our state and for the quality of education we hope to deliver. Thank you very much. [LB725]

SENATOR GLOOR: Thank you, Senator Kolowski. (Visitors introduced.) Continuing with debate, Senator Christensen, you're recognized. [LB725]

SENATOR CHRISTENSEN: Thank you, Mr. President. Would Senator Carlson yield to a question, please? [LB725]

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SENATOR GLOOR: Senator Carlson, would you yield? [LB725]

SENATOR CARLSON: Yes, I would. [LB725]

SENATOR CHRISTENSEN: Thank you, Senator. When I had my time last time, I was talking about the Republican, because I think LB723 ties into school aid formula very well, because we have people, especially in the Republican, but across the state that have surface water, as well as groundwater. And yet, most of our county assessors are evaluating everybody as irrigated or dryland, not subclasses, like my bill says, shall be divided into subclasses of real property included, but not limited to the groundwater, surface water, and limited-capacity irrigation. And within the Republican, since we have taken surface water away from farmers for compliance reasons and they don't get to irrigate, their land values have dropped up to \$3,500. Do you believe we should adjust this so that it is fair to them farmers which would also affect how the money splits with the school aid formula? [LB725]

SENATOR CARLSON: Well, I think there's a perception that irrigated land is irrigated land and it's all affected the same way. And you and I both know that it's not, it depends on the amount of water that's available that's there for irrigation. And, certainly, I believe that we need to look at the possibility being able to adjust when...when surface water doesn't have ample water in order to raise a crop, but they're paying full taxes on irrigated land. There needs to be adjustment; and there well could be, you and I both know that, times when it's turned around and surface water has enough allocation to grow a full crop and groundwater may not. So, fairness is an issue. I agree with you that that should be taken into consideration. It would need to be a carefully thought-out plan, but certainly I would support it. [LB725]

SENATOR CHRISTENSEN: Thank you, Senator. And I just bring this up at this time because I think it's important to...that Revenue Committee take a serious look at this bill. I've talked to Senator Hadley; he's going to get that scheduled. I think it's important because when farmers are paying land values based off \$8,000 an acre and it's selling for \$5,000 or \$4,500, that's half the value. And it's not right and it shouldn't be done that way. And so that's just one thing I brought up that I think ties to this bill from the standpoint there being a number of school districts that are going to have lower valuations which is going to mean more money is going to have to come their direction. And I'd just like to see that fairness and equality brought in there. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Christensen. Senator Smith, you're recognized. [LB725]

SENATOR SMITH: Thank you, Mr. President, and good morning, colleagues. Would

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Senator Sullivan yield to a question, please? [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield? [LB725]

SENATOR SULLIVAN: Yes, I will. [LB725]

SENATOR SMITH: Senator Sullivan, of the amount of funds that would be additional to the schools, roughly how much would be going to the 11 members of the Learning Community in Douglas County and Sarpy County? [LB725]

SENATOR SULLIVAN: I'm sorry, Senator Smith, I can't answer that, but we can get that information for you. [LB725]

SENATOR SMITH: Okay. But the amount of money that would...whatever that amount of money is that would be going to the Learning Community as a total would be subject to the same allocation that's currently happening through the common levy calculation, is that correct? [LB725]

SENATOR SULLIVAN: Yes. [LB725]

SENATOR SMITH: Okay. So everyone would move up a little bit, but it would not be targeted to helping those school districts that are net losers in that common levy calculation such as Douglas County West, Platteview Springfield, OPS, it would move them up a little bit, but then you would also have those that are big winners in that calculation continuing to get that net benefit and even more. [LB725]

SENATOR SULLIVAN: Can't argue with that. [LB725]

SENATOR SMITH: Okay. All right. Thank you, Senator Sullivan. That's all, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Smith. The Chair recognizes Senator Carlson. [LB725]

SENATOR CARLSON: Thank you, Mr. President and members of the Legislature. I would like to address Senator Sullivan if she would yield. [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield? [LB725]

SENATOR SULLIVAN: Yes, I would. [LB725]

SENATOR CARLSON: Senator Sullivan, I know that throughout the interim you've had a lot of meetings, the Education Committee has throughout the state and I was busy on

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water issues and couldn't follow it very closely, but what I hear and what I have people telling me, and many of us do, is that our property taxes are too high. In what's spent on K-12 education, and I'll put you on the spot here a little bit, do you believe that property taxes pay too much of K-12 education? [LB725]

SENATOR SULLIVAN: That appears to be the indication. Certainly we've heard that in our hearings across the state this last summer. [LB725]

SENATOR CARLSON: And at the same time you're hearing that, are you hearing people say--and quit spending so much money on education? [LB725]

SENATOR SULLIVAN: Not necessarily. [LB725]

SENATOR CARLSON: Neither am I. But I think that...and I don't know how close this is, and maybe you know more accurately than I do, I think property tax is paying about 55 percent of the cost of K-12 education. Is that a ballpark figure? [LB725]

SENATOR SULLIVAN: I think so, yes. [LB725]

SENATOR CARLSON: And I think we probably both agree that that's too much and what do we do about it because lowering the valuation on farmland from 75 to 65 doesn't necessarily reduce the 55 percent that is currently being paid for K-12 education. Would you say that that's probably correct? [LB725]

SENATOR SULLIVAN: That's one of my concerns because in districts that are...have significantly low levies, if you take away some of their value from their property resources, then there's the potential to...for them to need to have to raise their levy, which then, of course, would not result in property tax relief. But then furthermore, of the districts that are up against their levy, if you take away some of that local property value, then they really have nowhere to go and you...it begs the question is the state ready to step up to the plate to make up the difference? [LB725]

SENATOR CARLSON: Well, that's part of it. And if...and I don't know if you would be for this or not, but if we entertain the thought of reducing the amount of K-12 that property tax can pay from 55 percent to 50 or 45 percent and we still spend as much as we're spending today on education because in general people are not telling me or you, cut what you spend. They want it spent efficiently and I think that's a fair statement and so do both of us. Would you tend to support an effort that would take the amount of property tax could pay down to 50 or 45 percent? [LB725]

SENATOR SULLIVAN: Well, you know, that's the larger question and, quite frankly, the devil is in the details. We want to achieve property tax relief, we want quality education, and do the math, and we've got to have the state indicate more commitment in terms of

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dollars for education. And that's what we heard the public say in our public hearings this last summer. [LB725]

SENATOR CARLSON: And if we would reduce the amount that proper tax could pay by legislation to 50 or 45 percent and we're spending about the same, then income and sales tax have to pick up a bigger portion of the burden. Is that correct? [LB725]

SENATOR SULLIVAN: I don't know where else it would come from. [LB725]

SENATOR CARLSON: I don't know either. And the way it can be done is if we have a healthy improving economy. But that's the question and that's the difficulty. Now, how much time do I have, Mr. President? [LB725]

SENATOR GLOOR: One minute, 10 seconds. [LB725]

SENATOR CARLSON: Okay, we'll see if I can get through this. Does your bill...it's a situation, if I'm reading it right, where you have a district that estimates student enrollment for the year. And let's say they estimate that there's going to be a thousand students and they end up with 1,050. And they want an immediate adjustment because of those extra 50 students. Is that what this bill is about? [LB725]

SENATOR SULLIVAN: You're speaking to the amendment right now. [LB725]

SENATOR CARLSON: Yes. [LB725]

SENATOR SULLIVAN: It allows...well, the student growth adjustment already makes accommodations for that growth. But what we're addressing in the amendment is that there was some problems and clerical errors in figuring that correction for the student growth adjustment. So we're just making it possible and clarifying how that correction on that adjustment should be made so that when the aid goes out it is correct rather than districts getting more or receiving less than they are entitled to. [LB725]

SENATOR CARLSON: So the idea would not be to take money away from districts that would be, in a sense, negatively affected by this increase in enrollment because those students came from some place. [LB725]

SENATOR GLOOR: Time, Senators. [LB725]

SENATOR SULLIVAN: Oh, that's right, absolutely. [LB725]

SENATOR CARLSON: Thank you. [LB725]

SENATOR GLOOR: Thank you, Senator Carlson and Senator Sullivan. Senators in the

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queue: Christensen, Lautenbaugh, Hadley, and Kintner. Senator Christensen, this is your third time. [LB725]

SENATOR CHRISTENSEN: Thank you, Mr. President. Would Senator Sullivan yield to a question? [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield? [LB725]

SENATOR SULLIVAN: Yes, I will. [LB725]

SENATOR CHRISTENSEN: Thank you, Senator. I've been talking about other issues when I've been talking and...because I think it's important that people see that side of it too. And didn't mean to...apologize for taking away from your discussion if I did that, but do you see that when the state puts more dollars into the formula that we end up with better education or higher results, things this way. Is there any correlation to what we're doing? [LB725]

SENATOR SULLIVAN: Well, I don't necessarily want to imply that just putting more money in will automatically result, but it goes back to the commitment that a school board and educators have and that is their goal is to provide quality education. And you know as well as I do that it takes money to achieve that. [LB725]

SENATOR CHRISTENSEN: I do, and I agree with you and I would love to find a way to better fund education. I know everybody loves property tax because it's consistent. And you're pretty constant from year to year not to have a huge variation like you would if you were coming off an all-state dollars. But in your tours this summer, was there any alternatives given you that could be used for property tax relief or say, somehow, as you and Senator Carlson were talking about getting the state to 50 percent? [LB725]

SENATOR SULLIVAN: Well, as I said earlier, there was the general opinion that the state should be putting more dollars into education. Now you balance that with what we value in this state a great deal and that is local control. And I always remind people that if you...you want the state to assume more responsibility, then you have the possibility that they will also assume more control. Now, we have had numerous discussions in the committee, as well as at some of our hearings to talk about certain ideas, concepts, concerns, and issues that are statewide, irrespective of local school districts. And by that I say early childhood education being one of them. And so it begs the question, if the state believes some of these things are so very important, then perhaps they should be funded by the state outside of the TEEOSA formula. So that is one of the concerns that I think has been brought up. We did that a little bit this last year with both the instructional time allowance and the teacher education allowance. Part of that went out in aid to all districts, irrespective if they were nonequalized or equalized. But I think the larger question is, if there are statewide issues with respect to education that are very

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important, that need to be addressed by all districts, then perhaps the state should be providing more support for those issues. [LB725]

SENATOR CHRISTENSEN: Senator, I appreciate your comment that if the state has more money involved, they like more control. Can we do the opposite of that? If we have a nonequalized district, can we get rid of all state mandates? Would you support that? [LB725]

SENATOR SULLIVAN: No, I don't think so, because we also have to remember our constitutional responsibility that not only to provide the funding, but that we have certain standards that need to be met for that education as well. [LB725]

SENATOR CHRISTENSEN: Then we really don't believe the locals would provide that education? I'm being a little difficult. [LB725]

SENATOR SULLIVAN: It's a partnership, Senator Christensen. [LB725]

SENATOR CHRISTENSEN: You know, my point is, I've got a lot of school districts that have been unequalized for a number of years. [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR CHRISTENSEN: And yet there is a lot of mandates and demands upon them anyway. I really believe we need to back off on the amount of mandates if the state is not going to give them any money. I don't think it's fair to tell them what to do, what they can spend, and yet give them no money. [LB725]

SENATOR SULLIVAN: Well, first of all, to say that we don't give them any money, we have to also...it's kind of what Senator Haar said earlier, differentiating equalization aid from other kinds of aids that might go out to a school district, point being, special education. We feel that not only school districts, but certainly the state and the federal government recognizes this as well, we have a responsibility to provide education for special needs students. And I think that, particularly, last year and I've got a bill up before Appropriations this year to make sure that we continue from the state perspective to rise up to that responsibility. [LB725]

SENATOR GLOOR: Time, Senators. [LB725]

SENATOR CHRISTENSEN: Thank you. [LB725]

SENATOR GLOOR: Thank you, Senator Christensen and Senator Sullivan. Senator Lautenbaugh, you're recognized. [LB725]

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SENATOR LAUTENBAUGH: Thank you, Mr. President and members of the body. I've just been too quiet this week, so I thought I'd come back to the mike. And, Senator Sullivan, I have no questions for you and I have nothing really to say...I shouldn't admit I'm not going to say anything terribly germane to this bill or someone is going to say, well, then, sit down. But just some food for thought, I hope, because when we talk about education, we start touching on a lot of issues about education, I think. And I hear a lot about pre-K education and I read about pre-K in the paper sometimes. And we've got to spend more, we've got to fund that, we've got to do things with it. Well, pre-K fascinates me for a lot of reasons. Some studies show it's very effective. Other studies show that anything you gain from pre-K disappears if you don't do a good job at K and above, which is, I think, where we find ourselves all too often. We can spend all we want on pre-K, but if we fail at K and above, we've wasted the money on pre-K that people are telling us we need to spend evermore amounts of. And there are a lot of players in the pre-K world. Private entities bringing in money, providing it in different ways, different methods, different funding sources. I don't believe they're union. And some work and some don't. But interestingly, it's not an indictment of the whole system when some don't work. And if you believe that, and we all seem to because we all want to do more pre-K and if we just keep tweaking it, we'll get it right, have I got a bill for you and it's called charter schools. Because it seems to me if you're willing to accept that we need to spend more on pre-K and we tolerate it being independent of the public schools and existing within the public school districts, but not necessarily under the thumb or control or sometimes mismanagement of the school board, then you have a little inconsistency when you recoil in horror at the thought of public schools that aren't necessarily under the control of the local board because there's an inconsistency there I would submit and I hope you'll consider that because I don't follow the logic there. And I realize this pre-K push is kind of new and we're all feeling our way through it, but the good news is charter schools really aren't. We're one of eight states that don't have them, one of eight. And as I've said time and time, they're seeing tremendous successes in many states, particularly where students are being underserved now in areas of poverty. I don't think the statistics lie about that. And yes, there have been charter schools that have been failing...that have failed. There are ones that are succeeding spectacularly because we've seen what works and we've seen what doesn't. And it's time to try. Similarly, last year we passed a bill, if memory serves, that allows us to grade day cares because it's important to know for parents how the day cares are performing. Well, I've got a bill this year that says we're going to grade schools and I think it's important for parents to know how schools are performing. I think that's very important. So I hope if you're open-minded and passionate about...or passionate, not just open-minded, but passionate about the importance of grading day cares last year, that will transfer wholeheartedly... [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR LAUTENBAUGH: ...to the concept of grading schools this year because

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they're kind of important too in the developmental process. And I hope you're going to be with me on that because we are going to talk about that this year because I've got a bill that does it. And I'm just listening to this issue, I'm listening on this bill, I have no position on it today, but I'm listening. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Lautenbaugh. Senator Hadley, you're recognized. [LB725]

SENATOR HADLEY: Mr. President, members of the body, I will not take long, but I just want to reiterate what we heard this summer on the Tax Modernization Committee. And we did hear that there was basically a link between property taxes and K-12 education funding. And I think it's something that we certainly have to look at in this body. But we have to be careful that we just don't end up shifting taxes, because if we want to pay more with general funds we're either going to have to find extra funds someplace or we're going to have to cut some other program to make it work. We're in a little bit of a tenuous situation, Senator Schumacher and I have talked about it, we talked about it again this morning. A lot of our projections are based on 5 percent growth right now in the economy. Whether or not that comes true could be a real interesting time in the near future. And a 1 percent change in that forecast means about \$400 million that you have to come up with. So it's...it's...there's no easy way to handle these things. We have committed to do it. We've got some bills in the Revenue Committee. But I want to make one thing perfectly clear, there is...the ideas that we're dealing with right now, one is lowering ag land valuation and that will be heard in the Revenue Committee. But we have also heard about adding money to the Property Tax Credit Fund. That is not in the Revenue Committee, that has to come out of the Appropriations Committee. So the only thing the Revenue Committee can do is to look at, basically, the land value concept. We cannot be involved (inaudible) in taking money and putting it into the property tax relief fund. That is the bailiwick of the Appropriations Committee. I just want to make that perfectly clear. Thank you. [LB725]

SENATOR GLOOR: Thank you, Senator Hadley. Senators in the queue: Kintner, Janssen, and Smith. Senator Kintner, you are recognized. [LB725]

SENATOR KINTNER: Well, thank you, Mr. President. You know I've been listening to the debate and every time I hear someone else speak I think of something new and there's a lot of good ideas floating around here. And I kind of like what I heard from Senator Lautenbaugh talking about charter schools and a little school of choice. And I think that could solve an awful lot of our problems. I would like to ask Senator Lautenbaugh to yield for a question. [LB725]

SENATOR GLOOR: Senator Lautenbaugh, would you yield to a question from Senator Kintner? [LB725]

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SENATOR LAUTENBAUGH: Yes, I will. [LB725]

SENATOR KINTNER: Senator Lautenbaugh, we're talking of \$40 million or so here, what would \$40 million do for a pilot program with charter schools? [LB725]

SENATOR LAUTENBAUGH: That would be a large level of funding for...certainly for a pilot program. [LB725]

SENATOR KINTNER: What's the minimum amount we could do for a pilot program? [LB725]

SENATOR LAUTENBAUGH: You know, it would depend on the program. I mean, if we're talking one school, five schools, I mean, there's really no way to answer that, but it would certainly be...that would go a long ways toward getting something established...my bill targets Class V school districts, of which there's one currently. [LB725]

SENATOR KINTNER: Could you describe, Senator Lautenbaugh, what would a pilot program look like and what would we seek to accomplish with it if we took some of this money and put it toward a pilot program? [LB725]

SENATOR LAUTENBAUGH: Well, and I'm not really suggesting that's what we do with this bill, I mean, but answering your question, the bill that I propose would authorize a limited number of...I call them independent public schools, and I've had to adopt that phraseology because I've got tired of people saying, no, I support public schools, I don't like charter schools. Well, charter schools are public schools just like any other public school, they're just not under the local school board in the model I've set up. They're not private schools, you don't pay to go to them, they're public schools. And this would establish...or the bill that I've introduced would allow to be established a limited number of schools in a Class V school district that are public schools, independent of the local school board. Parents could chose to send their kids there. And I think it fills a deficiency we have now, I believe, because we allow school choice which means that kids have to get on a bus and go to a different district if they want to choose. I think there should be choices within neighborhoods if parents want to send their kids to a different school. [LB725]

SENATOR KINTNER: I'm fascinated now. Would a charter school use...have to use certified teachers? [LB725]

SENATOR LAUTENBAUGH: Yes. [LB725]

SENATOR KINTNER: Thank you, Senator Lautenbaugh. You know, I...originally I stood up here and I said, you know what, we should be thinking about giving this money back.

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The first thing in our mind should be giving it back. But I think I'm catching the fever. I think I could spend this money now. I really do. I got listening to...to say...I guess if you're down here long enough, you start spending money. But I listen to Senator Smith and I got to thinking, well hold on here, we've got a learning community, we've got districts in a learning community that are donor districts. The tax revenue goes from their district and goes to a totally different district, so it takes a million, a million six for some of these districts, it takes it right out, and they're small districts. I'm thinking of Platteview Springfield. And, you know, if we're trying to put money back into education, we might start with the school districts that inadvertently, no one has purposely done this to them, but they've been on the short end of the stick when we put the funding formula together. And it would seem to me it would make a lot more sense... [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR KINTNER: ...to make...thank you. It would seem to me to make a lot more sense to make the school districts that got shafted through no fault of their own, you know, out of a million or so dollars, that ought to be the first group of people, first group of students that we help. And then we can go and we can start...take the remainder of the money and put it toward what Senator Sullivan is thinking. So now that I think about this more, hey, if we're going to spend the money, let's do it to help someone that, through no fault of their own, is being robbed of their own money. So that might be a good place to start with this. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Kintner. Senator Janssen, you're recognized. [LB725]

SENATOR JANSSEN: Thank you, Mr. President and members. Would Senator Chambers yield to a question? [LB725]

SENATOR GLOOR: Senator Chambers. [LB725]

SENATOR JANSSEN: I'll withdraw that request, don't run up here, Senator Chambers. I just wanted to get that on the record since I know he likes to yield to questions and I'll have a discussion with him later today, not about this, but...on this bill, Senator, I will ask Senator Sullivan if she will yield. [LB725]

SENATOR GLOOR: Senator Sullivan, would you yield? [LB725]

SENATOR SULLIVAN: Yes, I will. [LB725]

SENATOR JANSSEN: All right, I apologize, on this amendment, Senator Sullivan, we both served, of course, on the committee, we went across the state on the Tax Modernization Committee and we serve on the Revenue Committee together, and I

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apologize, I was not intently paying attention when you opened on this. What would be the fiscal impact of doing nothing with LB725 or amending it "spenditurewise" as far as... [LB725]

SENATOR SULLIVAN: Under current statute, there is approximately \$900 million that would go out in TEEOSA aid. With LB725, which lowers the local effort rate and puts more state aid into TEEOSA, the result is approximately \$935 million. [LB725]

SENATOR JANSSEN: So that would...and help me. I know we continually change TEEOSA and reporting dates and whatnot. What districts...and we all look at this, even if we say we don't or we do. What districts would be benefited the most if AM1683 were to pass through this body? [LB725]

SENATOR SULLIVAN: I can't answer that question. I don't know. I'd have to look at the models and I really haven't studied them individually. I've looked at the total amount because I think, from a statewide policy perspective and in the best interests of all our school districts, this is the right thing to do. [LB725]

SENATOR JANSSEN: Okay, I just...the one thing I've heard...thank you, Senator Sullivan. I appreciate your answers. And I don't know where I'm at on this amendment, AM1683. And a lot of times people say that; they don't mean it. I truly mean it. I want to see, because I've heard, going across the state on the Tax Mod Committee and other endeavors, I've heard about more money going in and then it just going to the same school districts, and my district doesn't get any, and the same arguments that we all hear all the time. And so I don't know if we could do a modeling on this to see how it would impact. I mean I know we do but that would be...I'm not asking a question. I'm just basically talking (laugh), if anybody is listening. So those would be questions that I would have that I could certainly talk to you off the mike and gain a much better understanding on how things would work within that. So I appreciate that. And thank you for your time, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Janssen and Senator Sullivan. Senator Smith, you're recognized. [LB725]

SENATOR SMITH: Thank you, Mr. President. And when I was on the mike a little bit earlier, I had a short exchange with Senator Sullivan and discussing about the impact that this has on the member school districts of the Learning Community of Douglas and Sarpy County. And I'm kind of stuck on this piece of legislation. I do want to support it because I do believe that our school districts need more funding so that it takes pressure off of them in their individual levies. But we do have a problem in the Learning Community in Douglas and Sarpy County in the allocation of...through the common levy formula. And so there are some, I would say, unintended, unexpected outcomes in the way that calculation takes place. These funds coming into that existing model, they are

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only going to be spread in the same way that the common levy is currently calculating those funds, and it's going to result in the same unintended, unexpected outcomes of funding to the individual school districts. So while I agree that this needs to take place, Senator Sullivan, you know I'm just thinking, long term how are we going to address those funding issues for those schools that have high needs, they're high cost? I mean if we look at school districts in the 1st District and the 3rd District, it's pretty straightforward. This is going to get directly to those school districts and help them out. But when it goes into the Learning Community model, it gets reallocated and we're just not helping those school districts where we have the greatest need: for example, OPS; for example, DC, Douglas County West; for example, Springfield Platteview School Districts. So help me understand. Is there going to be something long term that's going to fix this in the Douglas County, Sarpy County areas so that we can see these funds get to where the greatest need is? And with that, I'm going to turn it over to you, Senator Sullivan. [LB725]

SENATOR GLOOR: Two minutes twenty-five seconds, Senator Sullivan. [LB725]

SENATOR SULLIVAN: Thank you, Mr. President. And, you know, we're talking maybe about three different things here. One is what LB725 accomplishes. And I will tell you, I think in all the member districts in the Learning Community, they probably all will be helped by what we're doing with LB725. So that's one thing. Secondly, are we going to address the concerns with high-need, high-spending districts? And can we and do we address that in the TEEOSA formula? Probably not to the extent that maybe some districts think we should be addressing it, but I think to a certain extent the formula does try to. But thirdly then, specifically as it relates to the Learning Community, you have some bills in the Legislature this year, as do I, with respect to the Learning Community. Does that address some of your concerns? Quite conceivably, I think it does. So to end up with a solution that solves all the concerns with one piece of legislation, I think it's, quite frankly, impossible to do that. So are we working in a direction of looking at some of your concerns in the Learning Community? Some of those member districts think that they are not receiving back as much as what they are giving. I don't necessarily argue with that, but they certainly can't be solved with LB725. [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR SULLIVAN: And they possibly can be solved or at least dealt with in part with some of the legislation that's being introduced. But in the larger scheme of things, I will be the first to say that, while I wasn't here when the Learning Community was formed, I'm guessing that when it did come into being there was never any belief that it was a static situation, that it should always be revisited and looked at and possibly changed. So I'm with you in that respect and I'm committed to looking at it and trying to make things better. [LB725]

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SENATOR GLOOR: Thank you, Senator Smith and Senator Sullivan. Senator Hadley, you're recognized. [LB725]

SENATOR HADLEY: Mr. President, members of the body, I would like to yield my time to Senator Christensen. [LB725]

SENATOR GLOOR: Senator Christensen, 4 minutes 50 seconds. [LB725]

SENATOR CHRISTENSEN: Thank you, Mr. President. Thank you, Senator Hadley. I just want to read a letter that my staff brought up to me. I thought it's extremely relevant to the property tax. This comes from Harlan County Commissioners; they all signed it. Says: I'm extremely concerned about the direction of property tax in Harlan County and the effective viability of our agricultural businesses here. Our property taxes, including occupation tax, have increased 21 percent this year alone. Since 2008 the taxes in Harlan County have increased a whopping 99 percent, essentially doubling in a five-year time frame. The cost of living, over the same time period, accounts for only 22 percent of this increase. Harlan County tax rates need to account for the cost-of-living adjustments in moderate growth...amount of growth, but the increases we have experienced are endangering and threatening our largest economic sector--agricultural production. Taxes should not be increasing faster than the cost of living, with an allowance for some growth. Ultimately, taxes shouldn't be increasing without strong and clear justification and/or return on investment just as with any business. I believe that Nebraska has the fifth highest tax rate in the United States for real estate and continued increases are not sustainable. Considering all the issues we face...currently face with drought, water shortages, market uncertainties, we need tax relief/reform now to continue to stay in business and support the growth in the family farms of Nebraska. When it comes time to set mill levies, the key number in calculating tax bills, this commission should make transparent reductions in mill with the most of the property value increases. Further, the future rates need to be...reimburse part of the gouging we have experienced over the last five years. The Commissioners of Harlan County need to be meticulous and forthright in calculating property taxes and providing assistance and relief. I was wrong. That was written to the county commissioners and myself. But the fact is, that's what we've went through--99 percent increase in five years. And so if you haven't...and this is a county that's had less increase than a number of them in my district. A number of them are way over 100 percent. That's why you heard, whether it's the Tax Equalization (sic) Committee or you heard from the school aid school fund this year, when they were doing their tour in the Education Committee, why property taxes are such a concern. And that's why I've asked the questions on this, is there a guaranteed offset in property tax if we're going to give more money, because at some point in time holding them accountable somehow is important. And so I thank you for the time, Senator Hadley. And thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Hadley and Senator Christensen. Senator

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Kintner, you're recognized. This is your third time, Senator. [LB725]

SENATOR KINTNER: Thank you, Mr. President. I truly do think I now have other people's money spending syndrome. I think I've got a little fever now, but I'm into it. I can do this. I can spend other people's money. I think I can do it with the best of them if I try. Now I might go down to my office, I might look at Ronald Reagan on the wall, might look at Calvin Coolidge, might look at Winston Churchill or John F. Kennedy, Margaret Thatcher. I might change my mind. I might get down there and look at some of the greatest leaders of all time hanging on my wall and I might very well become a friend of the taxpayer once again. But right now, I got spending fever. I'm looking at \$40 million, other people's money. I've already had one page give me his routing number and say, I think I know where we can send it. But we have to do this for the public good. We have to benefit a lot of people. So I would like to ask Senator Smith a question, if he will yield. [LB725]

SENATOR GLOOR: Senator Smith does not appear to be in the...ah, Senator Smith, would you yield to a question from Senator Kintner? [LB725]

SENATOR SMITH: Yes, I will. [LB725]

SENATOR KINTNER: Senator Smith, you've talked on the mike, you've talked to me privately, and you've been a champion of vocational training, industrial arts training. Can you go over for me real quick, just give me an overview of what you found in deficiencies of our educational system in regards to vocational/industrial arts training? [LB725]

SENATOR SMITH: Well, I think that all the conversations I've had, even with members of the Education Committee and Senator Sullivan, I think we are all in agreement that we need to have an education system that is more responsive to the children and to the parents of those children with regard to when the children decide they want to pursue the trades that we are providing that avenue of education for them. It's a great shortage we have in our state and across our nation with young people wanting to pursue the trades, and I think we need to have an education system that is responsive to that and encourages that. And I've, quite honestly, I have found the Education Committee and Senator Sullivan to be quite open to that. [LB725]

SENATOR KINTNER: Well, Senator Smith, if we were to try to remedy that and we were to start to move forward and try to set up programs so that we could train young people that had an aptitude for working with their hands, how would we go about doing it? What would a program like that look like and how would we start to do that? [LB725]

SENATOR SMITH: Senator Kintner, that's a long conversation and probably well beyond my pay grade. But I think that's a discussion we need to have as to how we

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integrate that into our school system. It's something...it's a discussion we have to have. [LB725]

SENATOR KINTNER: Well, let me ask you this. If we have \$40 million to put toward it, how far do you think that might go? [LB725]

SENATOR SMITH: Well, obviously, \$40 million is a sizeable amount of money and it would probably go quite far in producing great outcomes. [LB725]

SENATOR KINTNER: Well, thank you, Senator Smith. I don't think he quite has the spending fever like I have. We'll have to work on that. If Senator Smith hangs out here long enough, stays in this little galley here with all of us, maybe he'll get the fever... [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR KINTNER: ..will raise his temperature a couple more degrees. You know, I...oh, Senator Smith, I do have one more question. Can you yield for one more question? [LB725]

SENATOR GLOOR: Senator Smith, would you yield? [LB725]

SENATOR SMITH: Yes, I will. [LB725]

SENATOR KINTNER: I forgot to ask you, with Learning Community, all the money that we spent on the Learning Community and all these programs of Learning Community where we, you know, early childhood education programs and things we work with...programs we work with the parents, do...is there anything in Learning Community that deals with vocational training or industrial arts training? [LB725]

SENATOR SMITH: Not that I'm aware of, Senator Kintner. It doesn't mean there's not a program there. Senator Kolowski has sat on the Learning Community Council before. He may be able to answer that question. [LB725]

SENATOR KINTNER: Senator Kolowski, would you yield to a question? [LB725]

SENATOR KOLOWSKI: Be happy to. [LB725]

SENATOR GLOOR: Senator Kolowski, you have 3 seconds. [LB725]

SENATOR KOLOWSKI: Thank you. [LB725]

SENATOR KINTNER: Okay. That does it. [LB725]

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SENATOR GLOOR: Time, Senators. [LB725]

SENATOR KINTNER: All right. Thank you. [LB725]

SENATOR GLOOR: Senators in the queue: Senator Harms. Senator Harms. [LB725]

SENATOR HARMS: Thank you, Mr. Chairman. I rise in support of this bill and this amendment. And, Senator Sullivan, thank you very much for your introducing this. Let me just talk a little bit about some of the things I've heard here. First of all, \$40 million has been set aside for this particular issue. When we were doing our budgeting and we were discussing this, we knew that this was going to be a question. And my thoughts are, colleagues, that when we're talking about property tax relief, it doesn't all have to be through the public schools. When you look at property tax relief, we are one of the only few in the nation that does the assessed valuations the way we do it today. Most of them do it on production. And if we looked at the property tax issue and the assessed valuation and the increasing of their taxes, you could begin to resolve some of that along this line. Secondly, colleagues, that I believe very strongly that when we start talking about property tax relief, we've got \$7 billion in exemptions. If you want to really get to property tax relief and you really want to put money in there, let's deal with the exemptions. We just simply ignore those, and some of those exemptions have been in there for decades and we have never addressed that issue. We bring it up, we bring it up, it just goes away. If you want to deal with property tax, let's deal with it. Let's don't just pick on the public schools. There are other ways that we can do this, but it takes courage to do it. And I rise in support of this and I would urge you to support this. Thank you, Mr. Chairman. [LB725]

SENATOR GLOOR: Thank you, Senator Harms. Senators remaining in the queue: Bloomfield. Senator Bloomfield, you're recognized. [LB725]

SENATOR BLOOMFIELD: Thank you, Mr. President. With the understanding it will be very, very brief, I will yield my time to Senator Kintner. [LB725]

SENATOR GLOOR: Senator Kintner, 4 minutes 45 seconds. [LB725]

SENATOR KINTNER: Thank you, Mr. President. I will be "Mr. Brief" here. Senator Kolowski, will you yield to a question? [LB725]

SENATOR KOLOWSKI: Certainly. [LB725]

SENATOR GLOOR: Senator, would you yield? [LB725]

SENATOR KOLOWSKI: Certainly. [LB725]

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SENATOR KINTNER: Is there anything in Learning Community that deals...any programs that deal with industrial arts, vocational training? [LB725]

SENATOR KOLOWSKI: No, Mr. Kintner, if you go back into the foundation of the Learning Community, back to the original documents that brought that about, you'll see the emphasis upon children in poverty and English language learners and in mobility situations that they were charged to work with in the earliest stages of life. Hence, the evolution over the first five years to the emphasis on preschool education that you now are becoming an expert on, I understand. So that's a new aspect of your life as you're working on that. [LB725]

SENATOR KINTNER: Yes, I am working hard. My staff is working hard to learn about early childhood education. Is there anything in the charter of Learning Community that would preclude them from expanding and coordinating industrial arts programs among the member schools? [LB725]

SENATOR KOLOWSKI: No, but it wouldn't be an appropriate placement, in my mind. You have Metro Community College, taking a reverse aspect of this, you have Metro Community College with the number of programs they have with certification programs to put people into the work force. You have the high schools and there are programs at different levels throughout the metro area in all school districts where industrial tech or computer programs or family consumer science programs or...right down the line, we have a lot of those activities that are taking place. And some of those student groups are meeting this week, in fact, here in Lincoln and we had lunch with them as we had an opportunity in the last couple days. Those programs are there for that particular purpose, and especially for the industrial tech type programs, the foundations of those. That whole evolution, in my 41 years in education, has changed tremendously, because it's not just get your hands on a machine and do something. The robotics, the computer aspects of all that are foundational all through the middle schools into the high school programs that exist in the Millard Schools, that I know of, because I had that in my own building. And that opportunity is there across the metro area for students. It's not cheap. It takes time and energy and money to put those into place and those teachers are hard to find because there's not a lot of them coming out of the colleges and universities at this present time. Some programs have been cut in our own state, depending on the college or university, and I know most of them for industrial tech might be coming out of, if there's any left in Lincoln, are more in Kearney at the current time. So preparation is a very important part of that. [LB725]

SENATOR KINTNER: Senator Kolowski, one more quick question. [LB725]

SENATOR KOLOWSKI: Surely. [LB725]

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SENATOR KINTNER: Do you share Senator Smith's concern that we don't have enough young people trained in industrial arts or vocational training? [LB725]

SENATOR KOLOWSKI: We've had that mentioned in this body a number of times. There are jobs going unfilled in this state, especially in welding and other locations in Columbus and Norfolk and other major industrial plants that are needing well-trained individuals in those areas that can make a difference in our state and have a very well-paying job and do a fine job with those areas. [LB725]

SENATOR GLOOR: One minute. [LB725]

SENATOR KOLOWSKI: Community colleges are responding to that and there's a lot going on across the board in community colleges in our state. [LB725]

SENATOR KINTNER: Thank you, Senator Kolowski, and thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Kintner. Seeing no senators wishing to speak, Senator Lautenbaugh waives. Senator Sullivan, you're recognized to close on your amendment. [LB725]

SENATOR SULLIVAN: Thank you, Mr. President. AM1683 simply allows the Department of Education to adjust for a data issue regarding the student growth adjustment, and this amendment needs to be attached to LB725 so that the corrections can be made before aid is certified for this next school year. And in closing, I would like to ask for a call of the house as well. [LB725]

SENATOR GLOOR: Members, there has been a request to place the house under call. The question is, shall the house go under call? All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk. [LB725]

CLERK: 25 ayes, 0 nays, Mr. President, to place the house under call. [LB725]

SENATOR GLOOR: The house is under call. Senators, please record your presence. Those unexcused senators outside the Chamber please return to the Chamber and record your presence. All unauthorized personnel please leave the floor. The house is under call. Senators McGill, Pirsch, Murante, Chambers, and Johnson, please return to the Chamber and record your presence. Senators McGill, Johnson, Chambers, and Murante, please return to the Chamber and record your presence. Senator Sullivan, with your permission we'll proceed. How would you like to proceed? [LB725]

SENATOR SULLIVAN: Machine vote. [LB725]

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SENATOR GLOOR: Members, the question before us is the amendment to LB725. The question is, shall the amendment to LB725 be adopted? All those in favor vote aye; all those opposed vote nay. Have all voted who care to? Record, Mr. Clerk. [LB725]

CLERK: 29 ayes, 0 nays, Mr. President, on the adoption of the amendment. [LB725]

SENATOR GLOOR: The amendment is adopted. We move to discussion on the advancement of LB725 to E&R Initial. Senator Lautenbaugh, you are recognized. [LB725]

SENATOR LAUTENBAUGH: Thank you, Mr. President and members of the body. Again, comments that aren't even directed at the bill at this point: I was downstairs and kind of came back upstairs because I was surprised to see we were still on TV. And I think there may be quite a few people who are in that same boat, because we usually adjourn 20 minutes ago by now. And I think there are people who were of the assumption that we were not bringing this to a final vote on the first round today, and yet we're still here and we're still talking about this. And this is slightly contrary to how we usually proceed. Rightly or wrongly, I think some are of the assumption that we were going to adjourn 20 minutes ago and people are not here. You can look around. There were a lot of people missing from that call of the house. You can say that's their fault. That's fine, it surely is. But we are in kind of a little bit of a different territory than we usually are. We may not even be on TV anymore, come to think of it, because PBS might have turned away from us by now. So I guess what I'm saying is...not that that matters but...kind of prefer it actually, truth be told. But I don't really want us to go to a final vote on this today just in case any of my colleagues...and no one has voiced any concern to me. But I was on my way out the door, literally, and I noticed you were all still here so I came back upstairs. And you're thinking, well, thank God for that. So I'd prefer we adjourn. I wrote out a motion to adjourn; I didn't run up there and file it. But I just question the wisdom of proceeding now, 20 minutes past when we would normally adjourn, when so many of our members are simply not here. You can surely say it's on them. We found another member now, but still I don't want to bring this to a vote today with so many gone. Thank you, Mr. President. [LB725]

SENATOR GLOOR: Thank you, Senator Lautenbaugh. Are there other senators who wish to be recognized? Seeing none, Senator Sullivan, you're recognized to close on the advancement of LB725. [LB725]

SENATOR SULLIVAN: Thank you, Mr. President. And I'm in full confidence of NET that I would suspect that we are still on television and the people of Nebraska can see our deliberations. And we adjourn when we choose to adjourn. And LB725 simply lowers the local effort rate to \$1 and, in so doing, makes sure that aid increases by \$35.7 million for TEEOSA for \$935 million. I appreciate your support. Thank you. [LB725]

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SENATOR GLOOR: The question is the advancement of LB725 to E&R Initial. All those in favor vote aye; all those opposed vote nay. Have all voted who care to? Record, Mr. Clerk. [LB725]

CLERK: 29 ayes, 0 nays, Mr. President, on the advancement of LB725. [LB725]

SENATOR GLOOR: The bill advances. Raise the call. Mr. Clerk, items for the record. [LB725]

CLERK: Mr. President, thank you. Your Committee on Education, chaired by Senator Sullivan, reports LB692 and LB781 to General File. Urban Affairs, chaired by Senator McGill, reports LB791 to General File. Senator Burke Harr would like to withdraw LB1075; that will be laid over. Reference report referring certain gubernatorial nominees for public confirmation hearings. Hearing notices: Judiciary; Appropriations; Government, Military and Veterans Affairs; and the Education Committee. I have amendments to be printed: Senator Kintner to LB909, Senator Lathrop to LB393, Senator Lautenbaugh to LR41CA, and Senator Sullivan to LB725A. Name adds: Senator Kintner to LB96 and LB813. (Legislative Journal pages 455-458.) [LB692 LB781 LB791 LB1075 LB909 LB393 LR41CA LB725A LB96 LB813]

And a priority motion: Senator Burke Harr would move to adjourn the body until Thursday morning at 9:00 a.m.

SENATOR GLOOR: Members, you've heard the motion to adjourn until tomorrow morning at 9:00 a.m. Those in favor say aye. Those opposed, nay. We stand adjourned.