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Education Committee  
February 09, 2016

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[LB882 LB883 LB959 LB1002 LB1052 LB1063 LB1086]

The Committee on Education met at 9:00 a.m. on Tuesday, February 9, 2016, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1086, LB1052, and LB1002. Senators present: Kate Sullivan, Chairperson; Rick Kolowski, Vice Chairperson; Roy Baker; Mike Groene; Bob Krist; Adam Morfeld; Patty Pansing Brooks; and David Schnoor. Senators absent: None.

SENATOR SULLIVAN: Welcome, everyone, and good morning. I'm Senator Kate Sullivan of Cedar Rapids, I represent District 41, and this is the Education hearing. We still have some senators coming in, but we'll start by allowing those who are present to introduce themselves, starting with the Vice Chair.

SENATOR KOLOWSKI: Good morning. Rick Kolowski, District 31 in southwest Omaha.

SENATOR BAKER: Senator Roy Baker, District 30: Gage County and part of southern Lancaster County.

SENATOR KRIST: Bob Krist, District 10.

SENATOR GROENE: Mike Groene, Lincoln County, North Platte.

SENATOR MORFELD: Adam Morfeld, District 46.

SENATOR SULLIVAN: Very good, thank you. Also have some staff helping us today. To my immediate left is LaMont Rainey, legal counsel for the Education Committee. And my far right is Mandy Mizerski, who is the committee clerk. We also have two pages helping us: Annie Himes from Omaha, she's a student at UNL, majoring in Russian, global studies, and history; and also Sam Haarberg from Imperial, also a student at UNL, majoring in water science. Senator, do you want to introduce yourself?

SENATOR PANSING BROOKS: Oh, okay. Hi. Sorry I had to be a little bit late. I'm Senator Patty Pansing Brooks, from District 28, right here in the heart of Lincoln.

SENATOR SULLIVAN: We have three bills. Of course, these are a rescheduling from the snow day that we had last week. We're looking at LB1086, LB1052, and LB1002. If you are planning to testify on any of these bills, we ask that you pick up a green sheet. Should be on the table at

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either entrance to 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 a separate form on the table to do that as well. Regarding the green sheet, we ask that you fill it out completely--please print. And when you come up to testify, give the completed sign-in sheet to the committee clerk. If you have handouts, please make sure you have 12 copies for the pages to hand out to the committee. And when you come up to testify, please speak clearly into the microphone, tell us your name, and please spell your first and last name to ensure you get an adequate record. Perhaps I don't need to say this, but if you have a cell phone or a pager, please turn that off so it is not distracting. The introducer of the bill will make the initial statement, followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. We are, in light of what we anticipate to be a very full day, and a limited time for the hearings this morning, we are limiting testimony to three minutes. Not for the introducer, but for anyone testifying on the three bills that we have before us. So I think those are all the housekeeping details. We will start with LB1086, Senator Davis. And excuse me, before you start, Senator Davis, welcome Senator Schnoor who joined us.

SENATOR SCHNOOR: Thank you. Just glad to be here.

SENATOR DAVIS: As we all are. Good morning, Senator Sullivan, members of the Education Committee. My name is Senator Al Davis, A-l D-a-v-i-s, and I'm here today to introduce LB1086. It's a simple bill, which would allow a student with asthma or anaphylaxis to self-manage his or her condition, upon written request of his parent or guardian and authorization of the student's physician or any other healthcare professional who prescribed the medication for treatment. I had a school nurse from my district call this last summer and report that due to how stressed the physicians are, that the necessary paperwork was not being signed and that students were not allowed to self-manage, as allowed under current law. Given that medical professionals other than physicians have been authorized to prescribe medications, it seemed prudent to amend the current law to allow them to do so in this case. I do not believe that this bill represents any change in licensure or expansion of duties, rather, the intent of LB1086 is to clarify that any health professional who prescribed the medication could also sign the paperwork authorizing the student to self-manage in the classroom. I do have a letter in support from my constituent who brought this issue to my attention, if you'd like to enter that, I will do so. I haven't got the copies right now. And with that, I'd ask that you support LB1086, and if you have any questions, I'll be happy to answer them. [LB1086]

SENATOR SULLIVAN: Thank you, Senator Davis. Are there questions for him? Can you elaborate just a little bit more about what is going on in your neck of the woods, so to speak, in not being able to facilitate the signing of these papers? [LB1086]

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SENATOR DAVIS: So if you have a nurse practitioner who is really the managing person for the individual, they're not permitted to sign off on the self-management. And really that's what we're trying to do, is give the nurse practitioner who actually handles the case and deals with the patient the opportunity and the right to sign off on that, so they don't have to go to a physician to get that done. [LB1086]

SENATOR SULLIVAN: Okay. All right, very good. Senator Schnoor. [LB1086]

SENATOR SCHNOOR: Do you think...and you could explain, maybe this is done already. Would the parents have to sign off on this as well? [LB1086]

SENATOR DAVIS: Well, I would think so, yes. [LB1086]

SENATOR SCHNOOR: I mean, would that be more important than the healthcare professional signing off on that? [LB1086]

SENATOR DAVIS: So really what this bill is all about is people that have asthma, and they know when they need to self-medicate. And anybody who has the disease knows that promptness is important. So they've probably been to a physician already, and the physician or the nurse practitioner has prescribed these medications for them. But the nurse practitioner needs to be able to sign off on that in the same way that a physician can. [LB1086]

SENATOR SCHNOOR: Because you know, I don't have any children that have ever had asthma and I don't have it, so you know, to say I understand it is not correct. But it's my appearance that usually these kids, they manage it pretty good. I mean, obviously if it's a kindergartener that would be one thing, but if you have a sixth or seventh grader or even somebody in high school, that would be a different story. So you know, I can see where it needs to be more of the parent's prerogative. You know, the parent knows more than the school nurse of the capabilities of their kid. [LB1086]

SENATOR DAVIS: But the school...the parents are not at the school, though. [LB1086]

SENATOR SCHNOOR: True. [LB1086]

SENATOR DAVIS: You know? So this needs to happen at the school, so someone has to sign off on the document permitting the student to do that, and it needs to be somebody in the healthcare profession. I don't think the parent would be able to do that in any legal manner. [LB1086]

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SENATOR SCHNOOR: Okay. [LB1086]

SENATOR SULLIVAN: Senator Baker. [LB1086]

SENATOR BAKER: Thank you, Senator Sullivan. Senator Davis, isn't it already in there on Page 3, Item 5? It says a parent or guardian of a student shall sign a statement...it's already in existing language. [LB1086]

SENATOR DAVIS: Yes, it's in existing. [LB1086]

SENATOR BAKER: Yes. Thank you. [LB1086]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB1086]

SENATOR PANSING BROOKS: Thank you, Senator Davis, for bringing this forward. My meagre understanding of the medical business is that...can you tell me what you're thinking about anaphylaxis, because when I think of that, I think of a bee sting and somebody has an EpiPen. Is that what you're talking about? [LB1086]

SENATOR DAVIS: That's what we're talking about. [LB1086]

SENATOR PANSING BROOKS: Okay, because that's beyond asthma. So I'm interested in what you're thinking about that. [LB1086]

SENATOR DAVIS: So those are the two things: asthma and anaphylaxis. So if you've got a...if you're extremely allergic to something, you need to have access to your epinephrine quickly. [LB1086]

SENATOR PANSING BROOKS: Okay. So including like if somebody is severely allergic to peanuts, there would be some...I don't know, is there some... [LB1086]

SENATOR DAVIS: Well, one would assume of course that the individual who has that reaction is aware of it and knows the symptoms and will be able to self-medicate. [LB1086]

SENATOR PANSING BROOKS: And this isn't intended to take away any kind of powers or ability to treat from the school itself, correct? It's to broaden the ability? [LB1086]

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SENATOR DAVIS: No. It's simply...and I'll just refer back to the green copy of the language we added on Page 2, we're adding language that says so, it says "An approved or accredited public, private, denominational, or parochial school shall allow a student with asthma or anaphylaxis to self-manage his or her asthma or anaphylaxis condition upon written request of the student's parent or guardian and authorization of the student's physician," and we're adding the language "or other healthcare professional who prescribed the medication for treatment of the student's condition." [LB1086]

SENATOR SULLIVAN: Any other...Senator Groene. [LB1086]

SENATOR PANSING BROOKS: Thank you. [LB1086]

SENATOR GROENE: Thank you, Chairman. So you're just adding nurse practitioners. Already the doctor prescribes, not the school nurse, they don't prescribe anything. [LB1086]

SENATOR DAVIS: No. [LB1086]

SENATOR GROENE: And otherwise, if it was a nurse practitioner that prescribed it, right now the nurse would have to have control of it and the student would have to go to the nurse to get the drug. What you're saying is if you've got an asthma, now the nurse practitioner can do what the doctor does, give a note to the school that the kid can keep it in his pocket and when he needs it, he can self. [LB1086]

SENATOR DAVIS: That's correct. [LB1086]

SENATOR GROENE: All you're doing is putting nurse practitioners. [LB1086]

SENATOR DAVIS: Because they're in large part the people that are managing a lot of this. [LB1086]

SENATOR GROENE: But all this other stuff you're talking about is already in statute. You're just adding that a nurse practitioner can do what a doctor does. [LB1086]

SENATOR DAVIS: That's correct. [LB1086]

SENATOR GROENE: Thank you. [LB1086]

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SENATOR SULLIVAN: Any other questions? Senator Kolowski. [LB1086]

SENATOR KOLOWSKI: Thank you, Madam Chair. Senator Davis, thank you for bringing this bill. I think it's very important because not all schools have a nurse within their boundaries on a daily basis. And a nurse practitioner working in this capacity and having that ability with the student to be able to self-administer is extremely important. The communication line is also very important within a district or a school, that everyone is notified if the student has this reaction, please get the assistance you need. It's very wise. Thank you for bringing this forward. [LB1086]

SENATOR DAVIS: Thank you. [LB1086]

SENATOR SULLIVAN: Thank you, Senator Davis. Will you be here for closing? [LB1086]

SENATOR DAVIS: Probably not. Perhaps. Thank you. [LB1086]

SENATOR SULLIVAN: Okay, thank you. We'll now hear proponent testimony. Welcome. [LB1086]

LEANN HOLMES: (Exhibit 1, 2) Good morning. I have good afternoon, I changed it. So good morning, Senator Sullivan and members of the Education Committee. My name is Dr. Leann Holmes, L-e-a-n-n H-o-l-m-e-s. I am a family practice nurse practitioner in Lincoln, Nebraska, as well as the Nebraska representative of the American Association of Nurse Practitioners. On behalf of the 500-plus members statewide, Nebraska Nurse Practitioners would like to support LB1086, which was introduced by Senator Davis. I've also included a letter of support for LB1086 from the Nebraska Academy of Physician Assistants. In the daily provision of care, nurse practitioners and other providers may be tasked with signing various forms to ensure fulfillment of orders, referrals, or recognition of health status or care by various entities. Unfortunately, some dated state laws may prohibit entities, in this case schools, from recognizing a nurse practitioner or other healthcare provider's signature by limiting the signature blank to physicians only. Limiting patients to seeing only one type of provider for form completion creates inefficiency and delays for patient. Further, requiring two healthcare providers involvement to sign one patient care form costs the healthcare system in patient delays, lost productivity for healthcare providers, and in some cases, signing fees or additional office visits to meet outdated signature requirements. Nurse practitioners and other healthcare professionals already treat patients by prescribing asthma treatment. LB1086 would allow those same providers to also sign the patient's paperwork in the same visit. So currently, I may see a student patient for asthma for years, routinely prescribe the medication, then have to refer the same patient to...well, have to refer him to have his school asthma form signed, despite the fact that he's otherwise stable and needs no other intervention or treatment. Clearly, this redundancy is

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inefficient and may lead to increased cost in copay, as well as time away from school for the student or work for his parents to take the student to several appointments. In addition, the signature on the form no longer reflects the provider who routinely provides the care. By allowing other healthcare professionals, in addition to physicians, to sign the authorization for a student to self-manage his or her asthma, LB1086 will enable the following: one, transparency and accountability by allowing documentation to reflect the patient-provider relationship; two, provide efficacy for patients, as care delivery and form completion can be addressed in the same visit; three, promote productive use of healthcare work force by eliminating for two healthcare providers involvement to sign or certify one patient care form. So in summary, the signature authority provisions in LB1086 increase patient access, reduce costs, and promote efficient, timely care without delays. So the Nebraska Nurse Practitioners would like to thank Senator Davis for introducing this important proposal and we encourage the committee to advance LB1086. Thank you for your service to the state, and I'd be happy to answer any questions. [LB1086]

SENATOR SULLIVAN: Thank you, Ms. Holmes. Are there questions for her? Senator Krist. [LB1086]

SENATOR KRIST: Because you're probably the person who can answer this the best of anyone who will come...thanks for coming. Is there any prescriptive medication that a young person would have to have refrigerated or otherwise special care for if they're managing their own care? [LB1086]

LEANN HOLMES: Generally not. I think mostly we're speaking about the type of inhaler that you can carry with you. [LB1086]

SENATOR KRIST: Or an EpiPen. [LB1086]

LEANN HOLMES: Or an EpiPen that doesn't need to be refrigerated. [LB1086]

SENATOR KRIST: Okay. Thank you very much. [LB1086]

SENATOR SULLIVAN: Any other questions for her? Senator Schnoor. [LB1086]

SENATOR SCHNOOR: Yeah. We...you know, there's a lot of talk about just about nurse practitioners, but in actuality, that isn't in the bill anywhere. It just talks about other healthcare professionals. And you know, I can't speak for Omaha in OPS or Millard or any of those, or even LPS, but you know, most small school districts they just have a registered nurse. You know, is

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that what you feel qualifies as the other healthcare professional, that they can sign off on this? Or does it have to be higher than that? [LB1086]

LEANN HOLMES: It needs to be within their scope of practice. So a registered nurse can't prescribe these treatments, so it needs to be somebody that could prescribe these treatments, that could sign this form. So a nurse practitioner or PA can prescribe these types of treatments, so they would be the ones that could sign these forms. [LB1086]

SENATOR SCHNOOR: So they would have to go to the...in essence go to their family doctor and that doctor would have to sign that form to say that this child can administer his own care? [LB1086]

LEANN HOLMES: That's the current law. So this bill would allow whoever prescribes the treatment to be able to sign the form, so that could include a nurse practitioner or a PA, because they're the ones that can prescribe this type of treatment. So they would also then be able to sign the form that allows the student to be able to use the treatment in school. [LB1086]

SENATOR SCHNOOR: Okay. So we're not talking about signing the form in the school district, we're talking about when the doctor prescribes it? Is that I think what we're getting at? [LB1086]

LEANN HOLMES: I might be misunderstanding your question, but no, this bill is so that the student can use the treatment that's already been prescribed in school. [LB1086]

SENATOR SCHNOOR: Right, I understand that. [LB1086]

LEANN HOLMES: So that they can self-administer it in school. [LB1086]

SENATOR SCHNOOR: I guess what I have envisioning is, you know, they have this at school. The school nurse along with consulting with the parents say yes, they can administer their own treatment, because they probably do it at home anyway. But since we're in a school system now, there's got to be a bunch of forms that has to be signed unfortunately. I guess that's what I'm envisioning, but if a nurse practitioner...or if a registered nurse we're saying is not qualified to sign that, it has to be somebody--a nurse practitioner, an LPN, or a doctor. Then in essence that would have to be done at the doctor's office when it's prescribed. [LB1086]

LEANN HOLMES: Right. This form has to be signed and then given to the school nurse. And the form has to be signed by currently a physician, and we're asking that that form should be able



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to be signed by a nurse practitioner or a physician assistant as well, and then given to the school. [LB1086]

SENATOR SCHNOOR: Okay. So instead of a doctor, we want to... [LB1086]

LEANN HOLMES: We want to expand that. [LB1086]

SENATOR SCHNOOR: Okay. All right, got it. Thank you. [LB1086]

SENATOR SULLIVAN: Any other questions? Senator Groene. [LB1086]

SENATOR GROENE: Just to clarify, a nurse practitioner and a PA can prescribe medication. [LB1086]

LEANN HOLMES: Correct, yes. [LB1086]

SENATOR GROENE: A nurse cannot. [LB1086]

LEANN HOLMES: An RN cannot, that's right. [LB1086]

SENATOR GROENE: Or an LPN. [LB1086]

LEANN HOLMES: Right. [LB1086]

SENATOR GROENE: So all this does is tie the release form to the licensed prescriber who prescribed it. [LB1086]

LEANN HOLMES: Right. [LB1086]

SENATOR GROENE: This just simplifies it. [LB1086]

LEANN HOLMES: I like to say...this does not change scope of practice. We're treating the paperwork, we've already treated the patient. [LB1086]

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SENATOR GROENE: The only time the school nurse would be involved is if you said no, not self-prescribed. It's in the office of the school nurse, the student has to go to the student nurse and get the drug. [LB1086]

LEANN HOLMES: That I don't think is the case, I think the... [LB1086]

SENATOR GROENE: I know. But that's...if you did not sign that form that says it was self-prescribed, that's what would have to happen. [LB1086]

LEANN HOLMES: Probably. I'm not sure what would happen. This would allow the student to be able to carry their own medication. [LB1086]

SENATOR GROENE: Yeah, otherwise it has to be with the school nurse. [LB1086]

LEANN HOLMES: Or not available at all, right. [LB1086]

SENATOR GROENE: Yeah, thank you. [LB1086]

SENATOR SULLIVAN: Any other questions for Ms. Holmes? Thank you for your testimony. [LB1086]

LEANN HOLMES: Yes, thanks. [LB1086]

SENATOR SULLIVAN: Welcome. [LB1086]

ANDREA HOLKA: (Exhibit 3) Good morning. Thanks for postponing this from the snow day, although I really did enjoy the snow day, it was awesome. Thank you so much for taking a look at the language in this bill. My name is Andrea Holka, and I represent myself, and I also represent the organization called AIRE Nebraska. [LB1086]

SENATOR SULLIVAN: Could you spell your name, please? [LB1086]

ANDREA HOLKA: Yes, I apologize. Andrea, A-n-d-r-e-a, Holka, H-o-l-k-a. I'm here this morning as a proponent of the language expansion for LB1086. As I said, I am representing myself, I am the mother of two boys diagnosed both with asthma, one also diagnosed with a food allergy. The oldest is now in college, the youngest is a senior in high school. I am also the director of AIRE Nebraska, which stands for Asthma/Anaphylaxis Intervention, Resources and

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Education in Nebraska. And this organization was born out of the State Board of Education taking a look at stocking EpiPen in schools. And so this organization supports schools in Nebraska, regarding that protocol--and that protocol is called the emergency response to life-threatening asthma or systemic allergic reactions, which is also called anaphylaxis. And that's found in Nebraska Department of Education Rule 59. So just briefly, a little history about the language that you're looking at. This language actually came from the Allergy and Asthma Network, way back in 2002. They trained advocates in states to take this language forth and give children the right to carry and self-administer in schools, because kids quite honestly were dying because medication was locked up. And so in 2005, this was brought forth to Senator Abbie Cornett, in 2006 it was signed. The language at that point was not meant to be restrictive. I've handed out some research that I did, I actually looked at at 50 states' bills, some still carry the word physician in their bills and some define it further. Sorry, need new glasses. So let's see. It makes good sense for this language to be updated to reflect a more accurate landscape of the healthcare providers found in our state, but I would caution you, regarding the proposed broad language suggested in LB1086. After consulting with Carol Tucker, she's the Nebraska School Health Program manager, personally and professionally I would recommend that you align this language in this bill, referring to a healthcare provider to that which can be found in Revised Statute 79-214, which covers physical exams and vision evaluation for school attendance. The language in that statute states "a physician, a physician assistant, or an advanced practice registered nurse practicing under and in accordance with his or her respective certification act." It is logical for the definition to be consistent, and outlines quite specifically which healthcare providers in Nebraska who are already providing healthcare for our kids. And it also eliminates and question and confusion. [LB1086]

SENATOR SULLIVAN: Okay, thank you, Ms. Holka. Based on what you just said though, and how the bill is written, the bill defines the health professional who prescribes that medication. Wouldn't that be enough? [LB1086]

ANDREA HOLKA: I don't see that this bill...there's language in this bill that only refers to the physician. [LB1086]

SENATOR SULLIVAN: But it says the student's physician or other healthcare professional who prescribed the medication for treatment. [LB1086]

ANDREA HOLKA: Right. So other or other healthcare professional, I would ask that it be more definitive, to reflect those individuals in the state who within their scope of practice can already prescribe. And that would be your physician assistants and your APRNs. [LB1086]

SENATOR SULLIVAN: Okay. All right, any other questions? Thank you, Ms. Holka. [LB1086]

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ANDREA HOLKA: Thank you. [LB1086]

SENATOR SULLIVAN: (Exhibit 4, 5, 6) Any others wishing to testify in support of LB1086? We would like to read into the record several letters of support from Rachel Wise, Nebraska State Board of Education; Wendy Rau, Nebraska School Nurses Association; and Rayann Tolstedt, nurse at Alliance Public Schools. Anyone wishing to speak in opposition or in a neutral capacity. And Senator Davis, just to clarify, did you want to close or... [LB1086]

SENATOR DAVIS: Thank you, Senator Sullivan. So just a couple of points. The first one is if there are definitional problems, you know, I'm certainly willing to work with the committee on that. I think the point of the language the way it is, it's designed so that if there's a scope of practice change in the future we're not going to have to redo this hearing, we'll be able to just move on because anyone that can prescribe will have the authority to do that. And then just to get back to Senator Schnoor, I think Senator Groene summed that up pretty much. In some districts, and I think in Alliance there was one of them where the medication was in the office. I think that's something...I think we certainly have to respect that keeping the medication locked up in the office sometimes is maybe a counterproductive process. So that's one of the reasons we're doing this. And you know, the only people that can sign the form are people who can prescribe, so we're not including any other health professionals, just those who can prescribe. [LB1086]

SENATOR SULLIVAN: Okay, thank you. [LB1086]

SENATOR DAVIS: So I would ask you... [LB1086]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB1086]

SENATOR PANSING BROOKS: I just want to say, legally, I like the fact that you left it broad enough so that if some other, you know, group is able to then prescribe later date, I think this covers it really well. And it's pretty clear that only the healthcare professionals who can prescribe medication are included. So thank you. [LB1086]

SENATOR DAVIS: Right. [LB1086]

SENATOR SULLIVAN: Any other questions? Thank you. [LB1086]

SENATOR DAVIS: Thank you. [LB1086]

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SENATOR SULLIVAN: This closes the hearing on LB1086. [LB1086]

SENATOR SULLIVAN: We'll now move on to the public hearing on LB1052. Welcome, Senator Harr. [LB1052]

SENATOR HARR: Thank you, Madam Chair, members of the Education Committee. Thank you for having me back so soon. So this bill combines two things I swore when I came I would never get involved with: TEEOSA and Medicaid. And so I got involved with both of them in one bill, so I apologize. LB1052 is intended to achieve two goals. First, LB1052 is intended to encourage school districts to apply for Medicaid in Public Schools or MIPS. Currently, schools who apply for MIPS are only allowed to retain 11.54 percent of the federal reimbursement. The remaining 88.46 percent is subsequently counted as a resource under TEEOSA. LB1052 would allow schools to retain 100 percent of the federal reimbursement, and the greater federal assistance would help encourage more schools to actually apply for the MIPS program. All around this has the potential to bring as much as an additional \$20 million in untouched federal dollars to the great state of Nebraska. Second, LB1052 would funnel a one-time \$250,000 appropriation from incoming MIPS dollars to the Nebraska Whole Child Project, an interlocal corporation made up of school districts and ESU. The Whole Child Project is dedicated to unite education and medical communities in collaborations to address the physical and mental health needs of our children. I understand there are technical concerns with LB1052, I want to thank those who have worked with me. We're working to get better language, and I'm more than happy to work with the committee to work these out. Following me are representatives of the Nebraska School Board Association and the Nebraska Whole Child Project, who may be able to answer additional questions regarding the technical aspects. However, with the policy, maybe...I'd be more than willing to address those questions. Thank you. [LB1052]

SENATOR SULLIVAN: Thank you, Senator Harr. Any questions? Senator Groene. [LB1052]

SENATOR GROENE: I discussed this with the school board yesterday, but you will be adding to TEEOSA also, because now you're taking that 88 percent that went into their resources away, so now TEEOSA will increase, right? [LB1052]

SENATOR HARR: Yes. But this is part of a bigger picture issue that we have. Because right now...well, currently you can only really collect for three items...and I should know what they are, I have them somewhere in my notes, but it's basically... [LB1052]

SENATOR GROENE: Physical therapy... [LB1052]

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SENATOR HARR: Physical therapy, hearing... [LB1052]

SENATOR GROENE: And occupational therapy. [LB1052]

SENATOR HARR: Occupational therapy. You know it better than I. [LB1052]

SENATOR GROENE: Well, I was coached yesterday. [LB1052]

SENATOR HARR: Well, I was too, and you see how well I did. And so and then we expand it. And we were supposed to do it this year, but because of some computer glitches and we need to update on the state side, it's been delayed a year. But in that time frame in between, CMS has come through and said hey, by the way, we used to not provide and funding reimbursement for those services which are provided for everyone for free. So for instance, in high-poverty areas, asthma is a big problem because there's pollution. We just heard that in the last bill. Well now, under the new ruling, schools can apply for that money to provide assistance for asthma. But that's not really a special need, but it does help the student, so how does that fit under TEEOSA? Should it fit under TEEOSA? I'm not sure. [LB1052]

SENATOR GROENE: It's more funding for schools, but it...what about going to, instead of 11 percent, if that's not enough of an incentive to apply for the Medicaid, why not go to 50 percent? And at least we get some benefit in TEEOSA, with this \$20 million coming in. [LB1052]

SENATOR HARR: Senator, I always say policy changes are negotiated, not dictated. [LB1052]

SENATOR GROENE: All right, thank you. [LB1052]

SENATOR HARR: So I would be more than willing to work with you on that. [LB1052]

SENATOR SULLIVAN: Any other questions? Senator Harr...and maybe there will be a testifier coming up after you, but the Nebraska Whole Child Project, do we need more definition of that? [LB1052]

SENATOR HARR: Well, those coming after can testify to it better. I mean, it's an organization...you saw on your summary, I'm sure, that I have a bill in Appropriations on that as well to pay for the \$250,000. If you would like more definition, I'd be more than willing to provide it. I consider this bill definitely a work in progress. [LB1052]

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SENATOR SULLIVAN: Okay. Because then you indicated that there were some technical issues that need to be worked out. [LB1052]

SENATOR HARR: Yes. [LB1052]

SENATOR SULLIVAN: Particularly with such things like special education reimbursement. [LB1052]

SENATOR HARR: Yes. [LB1052]

SENATOR SULLIVAN: Okay. All right, very good. Any other questions for Senator? Will you be here for closing? [LB1052]

SENATOR HARR: I will. Thank you. [LB1052]

SENATOR SULLIVAN: Okay. Welcome. [LB1052]

JOHN SPATZ: (Exhibit 1, 2) Welcome...or thank you very much, I appreciate it. My name is John Spatz, S-p-a-t-z, I'm the executive director of the Nebraska Association of School Boards. And I appreciate Senator Harr doing this. This was introduced kind of at the last minute and put together at the last minute, and I apologize. Dealing with a Medicaid and state aid bill together is not a fun thing. But several years ago I started with the School Board Association in 2003, and we'd periodically get questions about, primarily from the folks in the healthcare world, why Nebraska wasn't allowing for or getting reimbursement for the services they provided under Medicaid. And our response throughout the years was we don't know, because this is a very complicated program. A few years ago, Senator Nordquist's staff really began digging into this, and Senator Kolowski's staff also contributed and played a very big role. And what we found out was that the way it works right now, schools that provide a Medicaid service to a Medicaid eligible student can ask for a reimbursement for three things: speech, occupational therapy, and physical therapy. There's a variety of other services the federal government will provide reimbursement for, but our state Medicaid plan will not allow schools to get that reimbursement. So it would be the equivalent of us in the big Medicaid world saying we're going to expand Medicaid, but we're not going to take federal reimbursement. And we as Nebraskans are pretty generous, but...we began looking at that. So when a school would get reimbursement for one of those three services, the way it would work was that 88 percent of that reimbursement would be taken out of the special ed reimbursement for that school. So ultimately, the state kept that money and used to fund an early intervention project. So what LB276 from a couple of years ago did, that Senator Kolowski was a part of, it said well, let's let schools get reimbursement for all

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services that the feds will reimburse us for and let's let the schools keep that reimbursement. So that's what the bill did. And I did provide a fiscal note from LB276 from a couple years ago, and if you look on the second page, the underlined area it says federal Medicaid increases and TEEOSA impact. The one, two, three, fourth paragraph down talks about the decrease in aid, and at the bottom of that, the last sentence there said assuming \$16.2 million in additional services are billed, there would be a decrease in state aid by about \$9.2 million. So the result of LB276 saw windfall essentially for the state, because when a school now gets that reimbursement for services that they're providing, that's counted as a resource and ultimately lowering state aid under the current plans. So what we want to do is figure out a way to get that money to the schools, the entity that's actually providing the service. And then I appreciate...I agree, we have to work on the language and really we're going to need the help of this committee to make this work according to what the intention is. When we were doing this bill LB276, Bob Seiffert, who was the Medicaid director for Governor Johanns at the time, was involved with this. And he said he did a comparability study with Iowa and said if we adopted the Iowa Medicaid plan, with our Medicaid population he said we should generate about \$21 million in federal reimbursement for the services that we're currently providing. And I realize putting the language together to get to that goal is going to be difficult, and if this were for half a million dollars, I don't know if we'd put a lot of effort into it. But if the result is either, according to LB276, \$16 million or \$21 million, or some amount like that, it's worth I think some effort to figure out how do we unlock those funds from Medicaid for services that we've always provided and will continue to provide. Thank you. [LB1052]

SENATOR SULLIVAN: Thank you, Mr. Spatz. So where are you in the process of this federal plan getting approved...or the plan? [LB1052]

JOHN SPATZ: Good question. And the state's working really hard. They were supposed to have it done in October of 2015, and they are working very diligently with CMS to get that done. And I really do want to credit the current administration and their folks at HHS, they're putting a lot of effort into this. And the way I understand is they're trying to digitize this now, so in fact we're doing a workshop this month where we're inviting some of the folks from HHS to work with school personnel to give them an update on where that is in the process. But we're hoping to have...at least I'm hoping that this new system will be done by next year, that we'll be able to start making those claims by next year. [LB1052]

SENATOR SULLIVAN: Is this why, because you're waiting for this plan to be prepared and unfolded, that you weren't quite ready with this? [LB1052]

JOHN SPATZ: Exactly, yeah. Honestly, we weren't looking at doing something until next session, I think it would have been more right maybe next session. But the fact is the plan is not



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done, we're still operating under the old three elements. So a year from now, we hope to be able to ask for reimbursement for all 11 services that the feds will give us money for. And the question is how do we recognize that money and how do we accurately and efficiently unlock those funds from Washington, D.C, that they're willing to give us if we allow it to come in. [LB1052]

SENATOR SULLIVAN: Okay, thank you. Any other questions for Mr. Spatz? Senator Schnoor. [LB1052]

SENATOR SCHNOOR: How long has the Whole Child Project been around? [LB1052]

JOHN SPATZ: Great question and yeah, I didn't get to that, I apologize. But that's been around for about two years, it's an interlocal company made up of about 71 school districts and ESUs in the state. [LB1052]

SENATOR SCHNOOR: Because I distinctly remember this when I was the board president, and we chose not to because it was going to end up costing our district more money just to be part of it. [LB1052]

JOHN SPATZ: Right. And honestly, the schools who didn't join, I got questions from superintendents, what is this going to cost me and what are you going to make me do? And the answer is nothing and nothing. The objective of the Whole Child Project started somewhat narrowly. It was based upon some data that we saw that linked the health of the student to the performance of a student on standardized test, where there was...it showed a strong correlation between how healthy you are and how well you performed. So that was the initial vision, where we wanted to help schools collect that data, if they wanted it, we wanted to share best practices with some of the good things happening in the state, and then number three, if we could generate resources in the private sector to get to school districts to help facilitate a healthy culture, we wanted to do that. So in each one of those situations, if you join the Whole Child Project and wanted nothing to do with it, you wouldn't have to do it. But the superintendents came back to us and said we're all in, we like physical health, what about behavioral health or mental health? And at the time, our focus really was on physical health. In August, the board of the Whole Child Project voted to expand the vision to include behavior health. So what we really ultimately want to do in the behavior health, mental health world is to collaborate with the medical community to build an infrastructure statewide, where we're collaborating and honestly taking it a few steps further. We're going to need to engage the early childhood world and the postsecondary world. So really the long-term vision of this is being a birth or conception to college physical, mental health infrastructure, where we're all at the same table and we're all trying to identify how we can bring resources to address these needs. But it will not cost schools anything. [LB1052]

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SENATOR SCHNOOR: Well, then you talk about birth. I mean, where do we draw the line of when we're going to provide for public education? I mean, now we're going to drag them out of the womb and start taking them to school. [LB1052]

JOHN SPATZ: Well, this wouldn't necessarily be a K-12 issue, but you know, what's in front of us right now today? We're talking about property taxes, and school funding, and we've got issues in Corrections, issues in juvenile justice, and they're right here in our face. And one of the things, I've provided a couple handouts for you showing the funding over the last 20 years, whereas the state, we've been putting more money into Medicaid and Corrections and child welfare, and that's coming out of other areas. And well, TEEOSA has been close to flat over the last 20 years, it's still gone down a little bit...college and universities, and I think we need to begin looking long-term. And ultimately, what are the barriers for us to switch those areas where we're able to put more into education? I think mental health is a big element. If you look over that spectrum of the things that we think would impact that the most, early childhood is huge, after school ELOs are huge, juvenile justice are going to be big, mental health is going to be big. And so what my board of directors has been doing is trying to identify what is our role as a statewide organization in collaborating, with what we'd call nontraditional partners, to address some of these issues. We're not mandating schools what to do, but we're trying to find a place at a statewide level, with a statewide infrastructure of elected officials, to address what we think are going to be some of the critical issues in addressing that imbalance as some of those handouts show. [LB1052]

SENATOR SULLIVAN: Mr. Spatz, according to the bill, it just simply states Nebraska Whole Child Project, there's no definition of it. I don't know that that's a very wise thing to do. [LB1052]

JOHN SPATZ: Okay. It is a corporate interlocal entity, recognized at the state of Nebraska. So yeah, I don't disagree with that at all. Yeah, those are things that we need to work out. And honestly, with the MIPS side of it, we're kind of putting our hand out to figure out what is the best way from a language perspective to unlock those resources from the Medicaid, from the federal CMS dollars? So that's something that's a dialogue that we want to have with this committee, with the NDE to see if we can't come up with language that's going to accomplish what we want to accomplish--ultimately to get those dollars from D.C. into the pool of funding of the state. [LB1052]

SENATOR SULLIVAN: So what has your conversation been among HHS and Department of Education? Are the three of you talking to get some of these details worked out? [LB1052]

JOHN SPATZ: We've been talking quite a bit with HHS, specifically about getting the plan done. Which this doesn't necessarily address what we're trying to do on the bill here. Simply put, we

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said well, let's just eliminate it as a resource so schools can keep all that money. So that was kind of our simple way of addressing this. Now ultimately is that going to be the solution? I don't know. And that's where we're really going to need the support and collaboration with this committee, to identify if that's the solution or if there's another way to make the solution work. What is that? [LB1052]

SENATOR SULLIVAN: What's been your conversation with the Department of Education? [LB1052]

JOHN SPATZ: We had a lengthy conversation a week or two ago about this. [LB1052]

SENATOR SULLIVAN: And? [LB1052]

JOHN SPATZ: And well, we're just trying to figure out how these dollars flow. And at the end of the conversation, really if you look, there's a fiscal note attached to this, but the fiscal note two years ago showed that the state's going to bring in this money from the federal. So honestly, between LB276, which we're not actually doing yet, and this bill that we're dealing with today, it should zero out. So there shouldn't be ultimately an impact, if we're looking at both of these bills together. Does that make sense? [LB1052]

SENATOR SULLIVAN: Sounds too good to be true. [LB1052]

JOHN SPATZ: Yeah. Well...but the problem is, you know, with the fiscal note, the windfall that the state should get from LB276 are the dollars that are going to be recognized as resource. We're not claiming those yet, so we're not recognizing that increase. So with the fiscal note that we're seeing on this bill is a decrease essentially of the dollars that we haven't seen in LB276. That's as clear as mud, I know, and I apologize. And honestly, that's why we're looking to this committee to really help with coming up with a way to say we've got a pool of funding for schools in the state of Nebraska. That's complex to put it mildly, and it needs to be complex. We think there's somewhere between \$10 million and \$21 million in Washington, D.C. that should be added to that pool of funding. How do we get there to maximize it accurately and efficiently? What's the best way of doing that? So that's the discussion that we want to put on the table for this committee, understanding that we won't even be able to start claiming until next year. [LB1052]

SENATOR SULLIVAN: All right, thank you. Senator Kolowski. [LB1052]

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SENATOR KOLOWSKI: Thank you, Madam Chair. John, thank you for your work on this and your patience and long suffering. [LB1052]

JOHN SPATZ: Yeah, I agree. [LB1052]

SENATOR KOLOWSKI: Eighteen-plus months looking at that. We're dealing with systems that are not compatible because bills are passed in cubbyhole thinking and we're trying to approach this, you're approaching it, your team is approaching with holistic thinking. Overlapping many different boundaries and cubbyholes and try to get the state to assist us on this and the various people you've been working with in different agencies has been monumental. And the money is there, we just need to have things answered in such a way, in a proper setup, that the money can flow and assist us in our schools. It doesn't have to be eliminated from our budgets. [LB1052]

JOHN SPATZ: Right, I agree. And like I said, we are asking for assistance to figure out the best way, the most accurate and efficient way of doing that. How that ultimately works out, I'm going to be looking to this committee and saying if there's a way to make this work, we want to try to make this work and support this committee to get that done. But like it was said, right now the equalized schools ultimately get 11 percent of that total reimbursement for that time, effort, and energy that goes into submitting those Medicaid reports. Now maybe that's going to become easier as it becomes digitized, and we hope it does, but we're saying the schools are providing the service to the child, the Medicaid-eligible child. How do we get that reimbursement to go to that district? [LB1052]

SENATOR KOLOWSKI: And we're trying to ask what other opportunities are there with funding sources that are out there that haven't been thought of in the same way. [LB1052]

JOHN SPATZ: That's right. [LB1052]

SENATOR KOLOWSKI: Thank you. [LB1052]

SENATOR SULLIVAN: Any other questions for Mr. Spatz? [LB1052]

JOHN SPATZ: Thank you for your patience on this, I really do appreciate it. [LB1052]

SENATOR SULLIVAN: Thank you. Welcome. [LB1052]

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JAY SEARS: (Exhibit 3) Thank you. Good morning, Madam Chair, members of the Education Committee. I'm Jay Sears, J-a-y S-e-a-r-s, and I represent the educator members of the Nebraska State Education Association. For the English majors here, if you will correct the greeting, I made it for the snow day, which said good afternoon, and obviously this is morning. Just very briefly, NSEA does support the Whole Child Project and we're flexible and willing to work with the committee also in how we can use \$21 million of federal dollars that we don't usually see coming back to Nebraska. If we can get it into the school districts to work with our young people who do have behavioral and mental health issues, and so it doesn't affect the TEEOSA formula in any manner, especially those schools who might take part in this. And losing state aid would not be a very good idea, and I think that's why they are sceptical about the process. But as you know, when you look at federal dollars, there's strings. But I think this committee can work out the process so that we can advantage those other aid areas that we also serve youngsters in the schools. So with that, I would close it. Thank you very much, and you all have a great afternoon. [LB1052]

SENATOR SULLIVAN: Thank you, Mr. Sears. Any questions or comments for him? [LB1052]

JAY SEARS: Because I'm going to be in Appropriations. [LB1052]

SENATOR SULLIVAN: Thank you. Anyone else wishing to speak in support of LB1052? Welcome. [LB1052]

SUSAN BORCHER: Good morning, good morning to the committee. My name is Susan Borchers, S-u-s-a-n B-o-r-c-h-e-r, I'm here as a board member for the Nebraska Whole Child Project, in support of LB1052. I'm also here as a school board member for Johnson County Public School District in southeast Nebraska. I would like to thank Senator Harr for introducing this bill on behalf of the Nebraska Association of School Boards and the Nebraska Whole Child Project. I'm here really to focus on the \$250,000 appropriation part of the bill. John Spatz has gone through the Medicaid piece of it. I am one of five board members on the No Child Left Behind Project. The \$250,000 appropriation we are asking for as part of this bill will be used to fund the operational support of the Nebraska Whole Child Project, the purpose is to hire an executive director for the project, creating a database, we are looking to do supporting marketing and fund-raising efforts also through this money. The long-term goal of the Whole Child Project would be long-term funding goal to be maintained by fund-raising. But what we're looking for today is the start-up money for this. Mission statement: we exist to improve the success of children across Nebraska, by focusing on the whole child, their hearts, their minds, and their bodies. It was created in 2013. The membership is free and the membership is open to school districts, it's open to ESUs, it's open to universities and state colleges. Currently, the membership is 72 districts and ESUs, and if you think about that number, there's 72 people--administrators--

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went to their school boards, went to their boards and approved becoming a member of this with one letter sent out. There was a total of one letter and just verbal communication. There's many other school districts looking to belong to it, I've been visiting with other school board members across the state. The goals of this would be to train schools on how to collect good data about the health and wellness of their students, to have that data then looked at by an expert to help that school district specifically know what they need to do, what's going well, what's not going well, provide resources for health and mental health to the school districts, and share best practices between the school districts across the state. The mental health piece of it is huge, just in a committee meeting last night with my school board and our principals are overwhelmed. And we can't make a connection, we don't know where to go to get the help we need, and that's one of the things that the Whole Child Project is looking to do, to help get a connection across the state. Thank you. [LB1052]

SENATOR SULLIVAN: Thank you for your testimony. Regarding the funding for this project, you've got two strings. You're going to appropriations to ask for \$250,000 that would support an executive director and staffing, but then there's another \$250,000 that would be retained out of the Medicaid reimbursement for grants. Is that correct? Am I understanding that correctly? [LB1052]

SUSAN BORCHER: I'm not sure that it's out of the Medicaid. I'll be quite honest, that's...John Spatz already... [LB1052]

SENATOR SULLIVAN: Okay, but what you mentioned is...what are your plans for staffing of that \$250,000? [LB1052]

SUSAN BORCHER: We're looking at having an executive director to manage it. [LB1052]

SENATOR SULLIVAN: Okay. [LB1052]

SUSAN BORCHER: Then we're looking to have some help hiring help to build a database for the state of Nebraska, so that this information can be shared and see if we're making progress, which is very important to know. And then to support marketing and fund-raising, because we want to become self-funded. We want to fund it through grants, donations, that sort of thing. [LB1052]

SENATOR SULLIVAN: Okay, thank you. Any other questions? Thank you for your testimony. Anyone else wishing to speak in support of LB1052? [LB1052]

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JENNIFER JORGENSEN: (Exhibit 4) Good morning, Senator, committee. My name is Jennifer Jorgensen, Jenn... [LB1052]

SENATOR SULLIVAN: Just a minute. Are we okay on that? Sorry, excuse me. Didn't want that to override what we were hearing from you. [LB1052]

JENNIFER JORGENSEN: No problem. Again, my name is Jennifer Jorgensen, J-e-n-n-i-f-e-r J-o-r-g-e-n-s-e-n, and I am here on behalf of the Nebraska Association of School Boards and the Whole Child Project. And I'm actually here helping out Dr. Bob Rauner, he had to step away to a different committee hearing, so I'm going to be testifying for Dr. Rauner. So I hope any questions that you may have. I've handed out some graphs that he wanted to at least have the committee have. Dr. Rauner is an adviser to the Nebraska Whole Child Project and he has done similar research and similar studies with schools in Nebraska that we are looking to do through the Whole Child Project. And those are the graphs that you see in front, so I'm just going to go over the four graphs for Dr. Bob very quickly for you. So the first one, as you can see, is how students who are fit...and when we use the definition of fit, that's determined by the results that students have on a PACER Test, which is a cardiovascular fitness test that students take in schools. And these are the results of students who are grades five through eight. And this shows again a correlation of those that are fit or cardiovascular fit and how they perform on the NeSA test here in Nebraska. The second graph, that you'll see on the bottom of that page, shows again the results that Lincoln Public Schools have had in doing these kind...or focusing on physical fitness and physical health in schools, and how they've met their goals earlier than expected again on those NeSA tests and on obesity levels in the schools. If you flip over to the second page, these two graphs look very similar, and what this shows is the different levels of again students who qualify for free and reduced lunch in the Lincoln Public Schools. Those that fail the math NeSA tests on the top graph and those that are obese on the second, bottom graph. And it shows again a good correlation between those that are unfit and how that correlates with their scores on these tests. So this is really the research that John Spatz had looked at and talked about with Dr. Bob when they decided to go forward with creating the Nebraska Whole Child Project, because these are the type of things that the Nebraska Whole Child Project are trying to help schools to tackle and increase the success of students academically by fixing the physical and mental health of students. And also regarding the bill today that you have in front of you, the \$250,000 appropriation that we're asking for today, and then the appropriation that we're asking for this afternoon in Appropriations it would be one or the other. So we have both in there, but if one goes through, the other one wouldn't have to go through. So we're not asking from two additional sources, it will be a one or the other. [LB1052]

SENATOR SULLIVAN: All right, thank you, Ms. Jorgensen. Senator Schnoor. [LB1052]

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JENNIFER JORGENSEN: Yes. [LB1052]

SENATOR SCHNOOR: On this chart, how are you determining...what are you using to determine whether a child is fit or unfit? [LB1052]

JENNIFER JORGENSEN: The fit or unfit is being used by the results of the PACER Tests, and the PACER Test is a national test that the schools perform. I've never seen it run, but from what Dr. Bob explains, they have to do a run. And there's beeps during that run, and they're timed on how long they last during that process, and that is how they come up with the fit results, is through that PACER Test. [LB1052]

SENATOR SCHNOOR: Okay, thank you. [LB1052]

SENATOR SULLIVAN: Any other questions? Senator Kolowski. [LB1052]

SENATOR KOLOWSKI: Thank you, Madam Chair. Kearney has been doing something like this for quite awhile I believe--Kearney Public Schools. [LB1052]

JENNIFER JORGENSEN: They have, yes. [LB1052]

SENATOR KOLOWSKI: And your history is not as long as theirs, with what you have here thus far? So Kearney's been at it a little longer, is that correct? [LB1052]

JENNIFER JORGENSEN: It's a great question. I'm not sure. I know Kate, from the University of Nebraska-Kearney has been doing things at Kearney as well. I'm not sure how long she's been doing it compared to LPS, but we could absolutely get some additional information from Kearney. [LB1052]

SENATOR KOLOWSKI: Just good to see you're both doing it. I'm just commenting on Kearney has a history of this also. [LB1052]

JENNIFER JORGENSEN: Absolutely. A very successful history. [LB1052]

SENATOR KOLOWSKI: Yes, thank you. [LB1052]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. [LB1052]



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JENNIFER JORGENSEN: Thank you very much. [LB1052]

SENATOR SULLIVAN: (Exhibits 5, 6) Any other proponent testimony? I would like to read into the record two letters of support: one from John Skretta, superintendent at Norris Public Schools; and John Cavanaugh, Nebraska Child Health and Education Alliance. Anyone wishing to speak in opposition or in a neutral capacity? Senator Harr. [LB1052]

SENATOR HARR: Thank you, Madam Chair, members of the Education Committee. Thank you for your patience today. We'll continue to work on this bill, hopefully we can zero out the fiscal note and put it on consent calendar. But in the meantime, quickly, on the Whole Child...we're not belt/suspenders. We put it in two different bills. Obviously we don't want \$500,000, we only want \$250,000, so we'll clarify that. But what we do want to make sure is that we do unlock these federal funds so that we can get the money that our children need so that they can better succeed and overcome their disabilities. Thank you. [LB1052]

SENATOR SULLIVAN: Thank you, Senator Harr. Senator Pansing Brooks. [LB1052]

SENATOR PANSING BROOKS: Well, I'm just interested in how there are two bills going forward for the same thing. There's one in Appropriations, is that what you're saying? [LB1052]

SENATOR HARR: Yeah, it's in Appropriations. It's just asking for \$250,000, this is finding a way to pay for... [LB1052]

SENATOR PANSING BROOKS: Oh, specifically asking for it. [LB1052]

SENATOR HARR: Yeah, so one would come out of General Fund dollars and one would come out of the MIPS's dollars. [LB1052]

SENATOR PANSING BROOKS: Okay, I was just figuring that out, thank you. [LB1052]

SENATOR SULLIVAN: All right, thank you very much. [LB1052]

SENATOR HARR: Thank you. [LB1052]

SENATOR SULLIVAN: This closes the hearing on LB1052. [LB1052]

SENATOR SULLIVAN: We'll now move on to LB1002. Senator Baker. [LB1002]

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SENATOR BAKER: (Exhibit 1) Senator Sullivan, committee. I'm passing around an existing law: 79-512. [LB1002]

SENATOR SULLIVAN: Can you introduce yourself first. We all know you, but... [LB1002]

SENATOR BAKER: Excuse me, I should know better than that. Senator Roy Baker, R-o-y B-a-k-e-r, District 30. Under current law, school board...board of education of a school district in the state may pay from its school funds an amount to be determined by the board for membership dues, in association of the school boards or board of education. There's a separate law that specifies what educational service unit boards can do, and that is 79-1204. What this bill does is basically, I think it's a technical issue, where it takes the language that exists for school boards and puts it in...makes it apply to ESU boards. Nebraska is a Dylan's Rule state and you can only deal with the loss as you can do, so the issue if boards have been paying dues or not, I don't know. But this makes it clear that they're specifically legally entitled to do so. I'd take any questions. [LB1002]

SENATOR SULLIVAN: Thank you, Senator Baker. Any questions for him? So to add to your point that you don't know for sure how their dues are being paid now, we'll probably get some clarification to that I would assume? [LB1002]

SENATOR BAKER: Well, chances are...my guess is that they have been paying, they didn't know they couldn't. [LB1002]

SENATOR SULLIVAN: Got you. Okay. All right, thank you. Very good. Welcome. [LB1002]

DAVID LUDWIG: (Exhibit 2) Welcome. Good morning. I appreciate the opportunity of being here. I'm David Ludwig, D-a-v-i-d L-u-d-w-i-g, executive director for the ESU Coordinating Council. So in light of super Tuesday, I'm just going to keep my testimony in support of this short, brief, and concise, if you don't mind. So anyway, you know, I appreciate the opportunity of being here. In conversations with Senator Baker and John Spatz, you know, I think it's important that this is a practice that we have been, as a former ESU2 administrator, we did pay out of our funds and membership dues to NASB for our board members, not knowing that...it wasn't written in statute, but again I would provide support for this to continue this. So for our board members to be treated like school board members, same opportunities for professional development, networking, and enhanced leadership. So that's why I offer my support for this. So I'll be happy to answer any questions. [LB1002]

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SENATOR SULLIVAN: Thank you, Mr. Ludwig. Any questions for him? Senator Kolowski. [LB1002]

SENATOR KOLOWSKI: Thank you, Madam Chair. David, the school districts also generally...many of them pay for their administrator dues to their national association, so it's not out of line with practices within the school districts. I believe that's true. [LB1002]

DAVID LUDWIG: Right, that is true. [LB1002]

SENATOR KOLOWSKI: Thank you. [LB1002]

DAVID LUDWIG: Yeah, thank you. [LB1002]

SENATOR SULLIVAN: Any other questions? [LB1002]

DAVID LUDWIG: Thank you. [LB1002]

SENATOR SULLIVAN: Thank you. [LB1002]

JOHN BONAIUTO: Thank you, Senator Sullivan, members of the committee. John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, representing the Nebraska Association of School Boards. We appreciate Senator Baker introducing this bill, and it is a clarification just to balance school boards and ESU boards, which we find are more alike, but they're differentiated in law. With that, I will conclude my testimony. And I appreciate your support of this bill. [LB1002]

SENATOR SULLIVAN: Mr. Bonaiuto, what are the dues? [LB1002]

JOHN BONAIUTO: As far as... [LB1002]

SENATOR SULLIVAN: The amount. [LB1002]

JOHN BONAIUTO: The dues for school boards and ESUs are done based on a formula that has been in place for many, many years. And it is done based on the size of the revenue budget for school boards. And ESUs are more of a flat rate, but for school districts, because of the varying sizes of the district and the amount of resources they have available, it is almost the opposite of federal tax. The larger the budget, the dues actually shrink. So our largest district, which would be Omaha, and the larger districts like Omaha, Lincoln, Millard, their dues actually are smaller

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increments, based on the fact that their budgets are larger. So it is a formula. We try to make it as complicated as TEEOSA actually, so most of the school board members and ESU board members, unless it's a flat rate, they accuse us of the same thing that you hear, that your formula is hard to understand, just tell us. [LB1002]

SENATOR SULLIVAN: So then is the ESU...did I understand you correctly, the ESU membership rate is flat? [LB1002]

JOHN BONAIUTO: It has been a set amount over the past several years, so it is done differently than the school boards calculation. But yes, it is more of a set amount for the ESU boards. [LB1002]

SENATOR SULLIVAN: Okay. All right, thank you. Senator Kolowski. [LB1002]

SENATOR KOLOWSKI: Thank you, Madam Chair. John, does the school board number amount change depending on the number of school board members they have...five, six, nine... [LB1002]

JOHN BONAIUTO: It really doesn't. [LB1002]

SENATOR KOLOWSKI: Okay. [LB1002]

JOHN BONAIUTO: It is based on that formula for their budget. [LB1002]

SENATOR KOLOWSKI: Thank you. [LB1002]

JOHN BONAIUTO: Otherwise, when Omaha had 12 board members, we would have charged them a lot more. No. [LB1002]

SENATOR KOLOWSKI: Thank you. [LB1002]

SENATOR SULLIVAN: Any other questions? Thank you, Mr. Bonaiuto. [LB1002]

JOHN BONAIUTO: Thank you. [LB1002]

SENATOR SULLIVAN: (Exhibit 3) Anyone else wishing to testify? Anyone wishing to speak in opposition or a neutral capacity? I would like to read into the record one letter in opposition to

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LB1002, from Mary Jane Truemper, Omaha Liberty Ladies. All right, Senator Baker. Senator Baker waives closing and this concludes our public hearing for this morning. Thank you very much. [LB1002]

The Committee on Education met at 1:30 p.m. on Tuesday, February 9, 2016, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB959, LB882, LB883, and LB1063. Senators present: Kate Sullivan, Chairperson; Rick Kolowski, Vice Chairperson; Roy Baker; Mike Groene; Bob Krist; Adam Morfeld; Patty Pansing Brooks; and David Schnoor. Senators absent: None.

SENATOR SULLIVAN: Welcome, everyone, to the public hearing of the Education Committee. My name is Kate Sullivan of Cedar Rapids, I represent District 41, and I'm Chair of the Committee. We have nearly everyone here, there are a couple of senators who are introducing bills in other hearings. But I'll first of all have the committee members introduce themselves, starting with the Vice Chair.

SENATOR KOLOWSKI: I'm Rick Kolowski, from District 31 in southwest Omaha.

SENATOR SCHNOOR: Senator Dave Schnoor, I represent District 15, which is Dodge County.

SENATOR BAKER: Senator Roy Baker, District 30, little bit of the south part of Lincoln, part of southern Lancaster County and all of Gage County.

SENATOR KRIST: Bob Krist, District 10, Omaha and Bennington.

SENATOR MORFELD: Adam Morfeld, District 46, northeast Lincoln.

SENATOR SULLIVAN: We also have several staff people helping us today. To my immediate left is Tammy Barry, who is the legal counsel for the Education Committee; my far right is Mandy Mizerski, who is the committee clerk, and she will be making sure that we have adequate record of today's hearings. We also have a couple of pages helping us: Brook Cammarata from Omaha, who is a student at UNL, majoring in advertising and political science; and Caitlin Welty, also from Omaha, who is a student at Wesleyan, also majoring in political science. Today we've got four bills that we'll be hearing: LB959, LB882, LB883, and LB1063. And just joining us now...as she sits down, I'll have her introduce herself.

SENATOR PANSING BROOKS: Good afternoon, I'm Patty Pansing Brooks from District 28, right here in the heart of Lincoln.

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SENATOR SULLIVAN: It appears everyone is sitting down. I will mention though, if there are people either outside wanting a place to sit, Room 1023 is an overflow room and the monitors are set up there. So if you feel that we're getting a little scrunched in here, that room is available as well. But if you were planning to testify today, please pick up a green sheet that is on the table at either entrance to 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 a separate form on the table that you can sign for that purpose, and that too will be part of the official record. Regarding the green sheet, we ask that you fill this out before you come up to testify. Please print and fill it out in its entirety, and when you come up to testify, please give the green sheet to the committee clerk. If you have handouts, we ask that you have 12 copies, and give those to the pages as you come up to testify. When you do come up to the testifying table, please speak clearly into the microphone, tell us your name, and please spell both your first and last names. Perhaps I don't need to say this, but I would ask that you please turn off cell phones, pagers, anything that makes sound, so that we can devote our attention to the testifiers. Obviously we have a full house today, and we do want to give everyone the opportunity to testify, but we also want to be efficient and effective with our time. So to that end, I am enforcing strictly the three-minute time limit on all testifiers, that will be excluding the introducer of the bill and also excluding the Governor. But everyone else will be limited to the three-minute time limit. So when the yellow light comes on you will have one minute, and when the red light is on I'm going to be cutting you off. So please try to adjust accordingly to that. Because of the full house and because I want to be cognizant of everybody's time and effort, please think about that in your testimony. Try to think about what information you're bringing to us. We'd rather it not be repetitive. If you've already heard a testifier say the remarks that embody what you have wanted to say, there is nothing wrong with saying I agree with the previous testifier. Also, as I said, the committee wants new information, helpful suggestions, so please keep that in mind. Just to again manage the time that we have, can I have a show of hands of how many are planning to testify on the first bill, LB959? Okay. And then the following bill LB882? Followed by LB883? And then followed by LB1063? Well, I think this will be a very manageable day. I will tell you that since I am introducing LB959, I will be going to the introducer's table to do so, but then I will be returning here to preside. And then we will go on...my introduction will be followed by the Governor, then we will start with proponent testimony, opponent, and those in a neutral capacity. So I think that takes care of all the housekeeping details, and with that we will move on. And I will turn it over just briefly to you.

SENATOR KOLOWSKI: Our first bill up today is LB959. Welcome, Senator Sullivan. [LB959]

SENATOR SULLIVAN: Thank you, Senator Kolowski and members of the committee. I am...well, first of all, I'm Kate Sullivan, K-a-t-e S-u-l-l-i-v-a-n, from District 41, here to introduce to you LB959. I'm introducing this bill on behalf of the Governor and it's part of his efforts to provide property tax relief to Nebraskans. And in my estimation, it allows education to

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be part of the solution, because they are the biggest users of the property tax dollars. I hope you also know though, that I am totally an advocate for quality education. I don't want that to be diminished, I work hard for that I think, in my role as Chair of the Education Committee. But I also feel that we need to be responsible to the taxpayers who foot the bill for that education. In just a couple of minutes, I'm going to give you sort of the broad brush of what is in LB959. I'm also going to tell you why I think it's reasonable and doable, and why I don't believe it's a hammer for schools. You're also going to hear a lot of people who testify against this bill. And as I made the comments in my remarks as we started today, I hope you'll look for helpful testimony, I hope you'll look for specifics on what the impact of this bill would be for those people testifying. I believe we are at the crossroads. Whether you personally believe it or not, Nebraska citizens have voiced their opinion. They want property tax relief and they believe they have been waiting long enough. To achieve that, I've always felt that we need to follow two tracks, one that provides more state support to relieve the reliance on property taxes to fund our schools. Now, admittedly, that's not what LB959 does. The other track is to control spending as best we can without damaging the programs that are supported by property tax dollars. That's LB959. I don't think it diminishes local control, rather it underscores it and involves local citizens in the process. To me, that's not necessarily micromanaging. I've talked to school board members, I've talked to superintendents on a private basis. School board members have told me privately they admit there's room to control spending without sacrificing quality. I've also heard privately from some superintendents, when asked about the specifics of this bill, they've had to admit that this is not a big hammer to them. Now the problem is there isn't going to be any educator, if they're doing their job, that's going to come up here and advocate for something that's going to control how they do their business. I get that, but you know what? At the end of the day, we're the policymakers. We have to look beyond those advocacy positions and look at our state in its totality. So I'm asking you to help me do that. So before we continue, I want to tell you about some of the major components of LB959. First of all, it speaks to a school district's budget authority, limits it to 2.5 percent plus expected student growth. Secondly, regarding the retirement expenses, starting with the 2016-2017 school year, it moves those expenses into the budget base and the budget limitation. Regarding the expenses and the cost savings realized from early terminations, retirement buyouts, it requires a partial recapture of the budget exclusion for early retirement, early terminations based on cost-savings. It does something with cash reserves, it limits the amount of annual growth that a school district can put into their cash reserve. It doesn't do anything with the total limits that we have on cash reserves for a school districts, but it does limit to 5 percent of their budget the amount that they can put into cash reserve. We also put some limits on unused budget authority that may be carried forward in the future to 5 percent. We do some changes to need stabilization under TEEOSA. With the changes, the reduction of needs can go down to 98 percent, the growth is capped at 105 percent. It also limits and reduces ESU revenue limit alternative calculation to 105 percent of formula need--it has been, up until now, 110 percent. It also removes the levy exception that does not require voter approval for future capital projects. In other words, if they want to enlist and go forward with capital projects,

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they need to take them to a vote of the people. And secondly, it reduces the levy limit for special building funds from 14 cents to 10 cents within the \$1.05 levy limit. So those, as I said, a broad brush of the components of LB959. I'll be happy to try to answer any questions. I'll do so now, if there are any, before I return to my seat. [LB959]

SENATOR KOLOWSKI: Thank you, Senator Sullivan. Any questions from the senators as a whole? Seeing none, thank you very much. We will now move on to proponents, Governor. And the chair will move back to Senator Sullivan, thank you. [LB959]

SENATOR SULLIVAN: Thank you. Welcome, Governor. [LB959]

PETE RICKETTS: Thank you very much. I'm Governor Pete Ricketts, P-e-t-e R-i-c-k-e-t-t-s, and I'd like to start by thanking all of you for the opportunity to be here this afternoon, not only to talk about this important issue, but for all that you do on the Education Committee. As you all know, education is critically important for our young people to be able to pursue their dreams and reach their potential. And I appreciate the work that you do on this important topic here. I'd also like to thank you for your work on the interim, when you met with the Revenue Committee, and in particular, I'd like to thank the leadership of Chairwoman Sullivan for your work...and as we got together starting about the time frame of the state fair. And then of course I'd also like to compliment Chairman Gloor as well, for his contribution to this. And as we talk about education and we talk about property taxes, we know that these are really linked, as the senator said. That, you know, 60 to 75 percent of everybody's property tax bill goes to education and this is an important topic, because as I travel the state, it's the number one issue that people talk to me about. Whether it's a homeowner in Omaha...and I was talking to one gentleman at the Holy Cross Irish Fest, who said to me that, you know, he's retired, he's got a friend in Arizona who pays about 20 percent of the property taxes that he pays. And when his kids, or grandkids rather, grow up, he's going to move to Arizona because he's on a fixed income and that makes economic sense. So we're losing people there from that standpoint. It's certainly an issue for our ag producers as well. The Centerman (phonetic) family, for example, from Madison County, has seen their property taxes on their row crop land, the actual taxes collected, go up 90 percent over the last 5 years. So it's definitely a big issue that is of concern to Nebraskans all across the state. And last year, we made tremendous strides along this line. Working together, we cut the growth of government nearly in half, from 6.5 percent growth in the last budget to 3.5 percent growth in this budget. And that's important because the only way to have sustainable tax relief is by controlling spending. And because we were able to control spending last year, we were able to increase the Property Tax Credit Relief Fund by over 45 percent. And in this budget, we will deliver \$408 million in direct dollar for dollar property tax relief from the state of Nebraska to all property owners in the state. So that's a great win for taxpayers. But I think you heard, and I certainly heard, as I continue to travel the state, that our citizens were expecting more, that they wanted us to look at structural changes to how we looked at property taxes. So I started looking



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with my team, and as I mentioned, I started talking with Senator Sullivan and Senator Gloor at the State Fair, on how we could collaboratively work together to bring forward some ideas in this session on how we could address that. And that's what you see here in LB959, and of course in the companion bill LB958. And it really hits at some foundational principles that I hold, which is we want to remember these tax dollars are actually the hard-earned dollars of our Nebraska families, that again, we can only have sustainable tax relief by controlling spending, and that we want to make sure that we're accountable to the taxpayers here in the state and transparent. And LB959 really gets at that, those principles. And the senator described some of the things it impacts, so I don't want to, you know, (inaudible) don't want to go in depth into those, with regard to how we look at really the need stabilization, really limiting that to 98 percent to 105 percent plus student growth. Limiting the budget...carryover authority to 5 percent...the Cash Reserve on an annual basis, putting 5 percent there. So these are some of the things that really get at that idea of how do we, you know, control growth and spending. And very similar to again what we're trying to do at the state level, that we're not asking people to do something that we're not trying to do already, which is limit the growth of government. And so I think LB959 does that, and it does it in a way that's balanced, that's measured and that's incremental. And I know that you're going to hear a lot of other folks...the senator kind of referenced people getting up to testify in opposition today, using statistics like, you know, we're 49th in state contribution to education. I'd also like you to bear in mind the state makes a significant contribution to education here in the state. If you look at the spending the state does on special education, plus the TEEOSA formula--what we do in TEEOSA, we spend 27 percent of the state budget. If you add in the other spending we do on education, things like teachers' pensions, that brings it up to 30 percent. And then if you add in higher education, that brings it up to 46 percent or nearly half our budget. So the state does make a significant commitment to education. If you look at some of the statistics on education over the last 15 years, pulling together all of those funding sources, federal, state, local, we've increased spending on a compounded annual growth rate of 6.39 percent or a total, over that 15-year period, of about 138 percent. Student population has grown .32 percent per year on average and over that time frame, a little over...around 5 percent. So we are making significant contributions to education. You know, Nebraska is 21st when it comes to overall revenue per student and 18th in the nation when it comes to spending per student. And we want to make sure that we're being not only mindful of how we're getting those outcomes for our students, but also being responsible to the taxpayers. And that's really what I think that our citizens are asking us to do, that our citizens...and I can tell you, as I've traveled the state, are committed to a great public education. You know, I'm a product of public education, my mom was a public school teacher, my kids have attended public school. Nebraskans are committed to public education, but we also need to balance that out with the responsibility to the taxpayers. And one of the things that I think that's also important to keep in mind is that we also got to start asking ourselves about outcomes. How are those outcomes for our kids? Because that's a part of the conversation I think is important, because it's not just about the dollars we spend, it's about the outcomes that we get for our kids as well. And that's where again I think here in Nebraska we

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have great public schools, but one of the things that I'm driving in all of our agencies is this idea of continuous improvement. That no matter how well we do something today, we've got to figure out how we can do even better tomorrow, how can we innovate, how can we make sure that we're taking the resources we have...and though they're great, they're also finite. We have to be responsible with those taxpayer dollars and figure out how we can make sure we're innovative, to continue to make sure that we're doing the best job possible for our kids. And so I think that this bill, with its companion bill, get at that idea of how we can control spending. With the companion bill, we will be adding additional money into the school aid formula. So we recognize that with LB958, and the aggregate growth of 3 percent on ag land, that will require us to put more money into the school aid formula. I budgeted for that in the out-year budgets. This is an incremental approach. I've had folks in the...you know, farmers and ranchers come to me and say you're not doing enough. Certainly I've had cities and counties and school board members and school administrators say to me you're doing too much. To me that says we're striking a good balance, and that's what I do believe this bill does. It strikes a balance that is incremental and allows us to get that property tax relief people are asking for. And so I don't believe this is something that if you're looking at this and saying I don't like it, the question is, is this something that will allow us to strike that balance between making sure we continue to have great education and being respectful to the taxpayers. So with that, I'd like to go ahead and open up to questions and answers. [LB959]

SENATOR SULLIVAN: Thank you, Governor. Any questions for the Governor? Senator Morfeld. [LB959]

SENATOR MORFELD: Thank you for coming today, Governor. In terms of controlling spending, I guess I just have a few questions along those lines. First, can you give us an example of wasteful...or maybe a better word would be more irresponsible spending, that this bill would address? [LB959]

PETE RICKETTS: Well, again, the idea is that we're really...again, we don't collect the property taxes of the state, right? Local entities do. And so we're trying to encourage that control and spending by looking at those rules that we do create along those lines. And it's really sending the signal that again, if you're saying the...let's take the need stabilization formula, 98 percent allowing it to go down, where it didn't go down before. If student populations are declining, putting the limit of 105 percent plus student growth where we didn't have any limits before. I mean, these are examples of how we're sending that signal of we need to be thinking about being respectful to the taxpayer. I'm not looking to call it a specific school, and every school district is going to be different and have its own needs in general, but I think that that's a great example of how we're thinking about sending that signal of we want to be responsible with the taxpayer dollars. [LB959]

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SENATOR MORFELD: One of the things that I was thinking about with this legislation, and particularly since we really value local control, and that's one thing...I've introduced several bills and people come in here and say, you know, we do things our own way because we're different than Lincoln, or Omaha, or Scottsbluff, or wherever the case may be. Don't you think that school board members they're the closest to their voters, they're even more accountable I think than a person like me that's elected by 40...or represents 40,000 people. Aren't school board members fairly accountable to their voters? So if there's this type of kind of out of control or maybe irresponsible spending going on, don't you think that they would be responsible to that and respond in kind with how they spend and how they budget? [LB959]

PETE RICKETTS: Well, a couple thoughts. Again, what we're doing is really trying to encourage that control of spending. And while we don't collect the property taxes, we do set the rules. And our constituents, which are the same constituents as all these school board members as well, are clearly asking for property tax relief. And while we don't collect the taxes, we create the rules and that's where I think it's incumbent upon us as leaders of the state to come back and address those concerns of our constituents in looking at the rules that we do set, with regard to how can we encourage that control of spending. The other thing about this bill is it doesn't get in the way of anybody's ability to come back and ask for that additional budget authority. While we were taking some of those exceptions that we've had in the past and moving them underneath the budget or the levy or whatever, it still allows everybody to be able to go back out and say I've got a unique circumstance or I've got a reason or whatever to go back to the vote of the people. It really increases that accountability to say hey, we got an expense we need to go over and we'd like your permission to do it. [LB959]

SENATOR MORFELD: I guess my one concern would be is there's some expenses that are necessary for ADA requirements, for all kinds of sorts of different things, where Lincoln Public Schools probably wouldn't want to go for \$2 million or \$3 million for, you know, basic or maybe upgrades required by law to the vote of the people. Whereas, under this legislation, it sounds like they would have to. [LB959]

PETE RICKETTS: Well, I don't think there's anything sacred in any of these bill, in that if people have specific amendments on how to make this an even better bill, I'm open to talking about it. I think that's part of the process that we hope actually happens, right? That we get even better bills as we go through it. So if there's specific things that we can do better, I think that's great. I think also a lot of the things that, when we think about spending, especially on bigger items like that, they ought to be...you know, if they're capital items, they ought to be planned for well in advance and then you can put them on the ballot as you have regular elections. [LB959]

SENATOR MORFELD: Thank you, Governor. [LB959]

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SENATOR SULLIVAN: Any other questions? Thank you, Governor. [LB959]

PETE RICKETTS: Great. Thank you all very much. [LB959]

SENATOR SULLIVAN: We will now start with proponent testimony on LB959. And I would say, as there is room at the front, again to make things move a little more efficiently, if you're planning to testify, try to find a space up front and be ready to pop up as soon as the other one is done. You can sit down right here. [LB959]

GLADE MILLER SMITH: I'm Glade Smith, G-l-a-d-e S-m-i-t-h. This morning, my daughter asked me where I was going, and I thought how do I explain this to a four-year-old farm girl? So I told her the truth. I said some of the people in our government, who are in charge of us, are taking our money without asking. And I'm going to ask them nicely to stop. I would like to thank Governor Ricketts and Senator Sullivan for being proactive in addressing this property tax crisis that is afflicting our rural communities. I'm confident that the proposed legislation, LB959, would be better than our current system in providing structure and accountability to the public. However, I would like to express my concern that attempting to, according to the bill, "reduce the growth in property tax burdens" may only slow the imminent demise of Nebraska farm families. Allow me to explain. Farm land is an investment, a business, and a way of life. I'm the third generation farmer on a 100-year-old farm. Today, my father owns the investment, I run the business, and we share that life on the same farm. I'm proud that currently I can project a profit for this upcoming year, because many farmers will not. However, it is deeply troubling to us--my family--that given the current property tax proposals for our county, the government is poised to potentially make more money off of our farm ground than my father, the landowner, and myself, the farmer, combined. This system isn't sustainable for me or any other family farm. This is a system that will cause family farms to fail. And when it does, our farms will eventually be absorbed into giant agricultural corporations who farm 50,000 to 100,000 acres. My family, four children, along with other farm families, will be gone from rural Nebraska. Our farm dollars that operate the businesses in our local communities will be gone. Those businesses will cease to be able to operate, local shops, restaurants, and service industries will close down. Without family farms, there will be no rural communities. Ladies and gentlemen, there will be no people in our towns and thus no students to fill these costly schools. If we can agree that the goal is not to destroy rural Nebraska towns, the goal is to educate our children, I have one suggestion: reform the education system so that we teach children with less money each year, not more. There are those who will stand before you and demand that you give them their money so they can run their schools just like they always have, and you're going to take that money from the landowners until they have nothing left. And then you're going to take it from somebody else until you bleed them dry. For being educators, this approach seems a bit ill-advised. Take a good, good look around, people. Where exactly do you want to take this money from? Nobody has any money.

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And so my cattle farmer common sense says that sooner or later you won't have a choice, and the education system will have to find a way to get along with less. Thank you. [LB959]

SENATOR SULLIVAN: Thank you, sir. Just to clarify, so we have your name correctly on the record. Is it Glade Miller Smith? [LB959]

GLADE MILLER SMITH: Yes, ma'am. [LB959]

SENATOR SULLIVAN: And where are you from again? [LB959]

GLADE MILLER SMITH: Cozad. [LB959]

SENATOR SULLIVAN: All right, thank you very much. Any questions...is it Mr. Miller Smith, hyphenated? [LB959]

GLADE MILLER SMITH: Glade...I'm not a mister yet, I'm not old enough for that. Yes, sir? [LB959]

SENATOR SULLIVAN: Senator Krist. [LB959]

SENATOR KRIST: Have you had an opportunity to contest the valuation of your farm from the county assessor? Have you ever done that? [LB959]

GLADE MILLER SMITH: You know, I just recently started working through some of these processes. We've come back to the family farm here in the last years...and honestly, until three or four years ago, it wasn't an issue. Until just recently... [LB959]

SENATOR KRIST: It is an issue now? [LB959]

GLADE MILLER SMITH: Now all of the sudden it's an issue. And I'm scratching my head, going what's going on here? [LB959]

SENATOR KRIST: So my point, sir, is there are several sides to this equation. And it seems to me that you would say that education is one side of it, and I would point out to you that the assessor's process in the local county level is another process. So that wasn't a question, just a comment. Thank you. [LB959]

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GLADE MILLER SMITH: I believe we were talking about the bill, and there's other sides to it that I need to address. I was informed strictly that I was supposed to talk about this bill. [LB959]

SENATOR SULLIVAN: Yes, okay. [LB959]

GLADE MILLER SMITH: Yes, sir. I'm new to this process, I'm new to all these processes. I'm just a cattle farmer, just trying to make a living. [LB959]

SENATOR SULLIVAN: Excuse me. I'm in charge here (laughs). Okay, Senator Schnoor, go ahead. [LB959]

SENATOR SCHNOOR: Okay. You know, I understand what you're coming from, because I'm a fourth generation farmer. [LB959]

GLADE MILLER SMITH: Yes, sir. [LB959]

SENATOR SCHNOOR: But you have to understand as policymakers, we have to strike a balance in order to allow schools to still fund their operation and meet the concerns and requirements of all the citizens that are talking about property taxes. [LB959]

GLADE MILLER SMITH: I didn't obey your rule, I thought I did. I don't know how to use my phone properly, I guess. [LB959]

SENATOR SCHNOOR: So that's not a question. I just want to let you know that, because we...there's a balance that we have to make here, and it's not that simple. It's not just saying we're going to cut property taxes by 50 percent, because there's still bills that have to be paid. [LB959]

GLADE MILLER SMITH: If I may. If I understand what you're saying correctly, you've got bills to pay, just like I do, but it's up to me to pay them? Is that correct? [LB959]

SENATOR SCHNOOR: I'm just telling you there's a balance that we as the lawmakers have to strike in order to get this done. So that's all I just wanted to say. [LB959]

GLADE MILLER SMITH: Okay. Yes, ma'am. [LB959]

SENATOR SULLIVAN: Yes, Mr. Smith. Have you had any interaction with your local school board on this issue? [LB959]

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GLADE MILLER SMITH: My dad was on the school board quite a bit, good friends with school board members. I guess like I said, I'm kind of new to this and just trying to make a living. And up until now I could make a living, but right now, if we try to transition my family farm, which we're trying to do from my father to me, because he needs to make a living, he's going to have to sell the farm. And I can afford to...and I can make money, but I can't afford to make money and pay the property taxes. So that means if I want to live and pay my bills, because I have to make the money myself, we can't farm. [LB959]

SENATOR SULLIVAN: Do you have any idea...you indicated you made money this year, but have you done the calculation to know over the last four to five years what percent of your income has gone to property taxes? [LB959]

GLADE MILLER SMITH: I'm suggesting...I can even make a projection to make money this next year, which is a lot harder than the years past. A lot of people made money in the last years. [LB959]

SENATOR SULLIVAN: But what percent of that, of your income, has gone to pay your property taxes? [LB959]

GLADE MILLER SMITH: For instance, this next upcoming year, what our projection is on one given area of farm ground that I farm from my dad, that my dad owns, after we pay the rent to dad--and that's his profit, he takes the property tax out of it--that amount after property taxes...and my projection of profit per acre is right close to what dad will pay in property taxes. [LB959]

SENATOR SULLIVAN: Thank you. Any other questions for Mr. Smith? Thank you for your testimony. [LB959]

GLADE MILLER SMITH: Thank you, ma'am. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

MATT LITT: (Exhibit 1) Thank you. Good afternoon, Chairwoman Sullivan and members of the Education Committee. My name is Matt Litt, M-a-t-t L-i-t-t, I'm the Nebraska director of Americans for Prosperity, the nation's foremost free market advocacy group, more than 2.8 million activists nationwide and over 42,000 activists across Nebraska. In the interest of time, and that Chairwoman Sullivan and Governor Ricketts did such a great job explaining the mechanics of the bill, I will have a more brief testimony. First, I would just like to applaud

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Governor Ricketts, Chairwoman Sullivan, Chairman Gloor, and others who have taken steps to address the need for property tax relief and other forms of tax relief for the citizens of Nebraska. Our organization has been long-committed to improving the quality of life in our state through tax reform, particularly property tax relief. LB959 plays a critical role in achieving tax relief by responsibly controlling spending growth. Let me repeat an important point: this bill does not cut education funding, as some may suggest. This bill is placing reasonable restraint on future growth, a vitally important tool for long-term reform. By simplifying Nebraska's method of public K-12 funding by controlling spending growth to no more than 2.5 percent plus the expected student growth, school funding becomes more reasonable and more predictable. This bill represents a tremendous progress on multiple fronts by making the funding streams more reasonable for those local...for local education, excuse me, that is for property tax payers and district officials who can better engage in the strategic long-term planning, since revenue streams will become more predictable. There are other strong components to this bill that will seek to make our education funding system more transparent and control the rate of growth and local spending. These are critical needs facing Nebraskans, and that will allow for the necessary reforms for property tax burden. We believe that that would be a tremendous accomplishment and this is why we urge you to support this bill. Thank you. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Litt. Are there questions for him? Thank you for your testimony. [LB959]

MATT LITT: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

ROD HOLLMAN: Good afternoon. I'm Rod Hollman from Martell, R-o-d H-o-l-l-m-a-n. I'm a seventh generation farmer from Martell, my ancestors have been there since 1860s. And except for four years in the Marine Corps, I have lived there my entire life. I'm here to speak in favor of LB959 and also other bills that pertain to property taxes. We've been through a period, as you know, I'm trying not to repeat this, but of very high increases and I've been working on this for a number of months and have met with Governor Ricketts. And I want to thank him for his work and support for our endeavor. As a whole, the ag land property taxes in Nebraska have increased over 170 percent in the last 10 years, and Lancaster County has seen an increase of over 230 percent. At the same time, the residential and commercial taxes have only increased 33 percent in Lancaster County. My personal taxes in the past five years, my property taxes have increased about 130 percent, with one parcel increasing 198 percent in just 4 years, with a 60 percent increase in just one year. It's one of the least productive I have, it's all grass. Experts predict that farm income will be down about 35 percent, and when taking into account that the taxes have increased this year and are predicted to increase by 8 percent next year, farmers and ranchers in



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this state are going to have a big struggle. Hardest hit will be the retired farmers and ranchers who have to rent their land out. And with the high taxes, you know, there's just not going to be much to live on. Now I've visited with many landowners across the state and have had some meetings. I've been pushing this...some of you may have received my emails for a number of months, and I've never seen landowners so frustrated and angry as I have over this. We've survived drought, we've survived blizzards, we've survived 40 degrees below zero weather while we're calving, and low prices, but this has made them really angry. The main part of our taxes are the school funding. Statewide, this is about 62 percent of our property taxes, and on my farm it's 71 percent. And the reason that probably is, we just had a new school bond issued just a couple years ago and I think I've only got 28 payments left to make on that school. In Nebraska, the average landowner pays \$1,250 per month for school funding, or about \$15,000 per year. The average residential owner pays \$105. Now that should show why we're a little upset. We're supportive of schools, but...and in my own personal, I fit in about average. I pay \$15,000 of my \$21,000 tax bill on 300 acres to school funding, so that's about \$1,250 a month. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Hollman. I'm going to have to cut you off, because the red light came on. [LB959]

ROD HOLLMAN: Okay. [LB959]

SENATOR SULLIVAN: But we can maybe figure out a couple of questions. Have you been to your local school board? And tell me again where you're from. [LB959]

ROD HOLLMAN: Martell, 10 miles east of Crete. [LB959]

SENATOR SULLIVAN: Martell, okay. And your school board is...or your school district? [LB959]

ROD HOLLMAN: Crete. [LB959]

SENATOR SULLIVAN: Okay. And have you interacted with the school board at all? [LB959]

ROD HOLLMAN: No, just a few of the members that I know. [LB959]

SENATOR SULLIVAN: Have they been helpful in your interaction with them? [LB959]

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ROD HOLLMAN: Well, they...you know, they always defend their positions. The school bond issue, the new school was pretty controversial, it only passed by 19 votes. And many landowners that pay for those taxes do not get to vote on that, because they live out of the school district. [LB959]

SENATOR SULLIVAN: Okay, thank you. Are there other questions for Mr. Holman? Thank you very much for your testimony? Welcome. [LB959]

SHANE GRECKEL: Thank you, Senators, for taking this opportunity and letting me testify on this. My name is Shane Greckel, S-h-a-n-e G-r-e-c-k-e-l. I'm proud to say that I'm a six-generation family farmer from northeast Nebraska, you've heard that story many times. I'm here to tell you today the struggle that we have with our family farms. I understand also that we have to strike a balance, as Senator Schnoor said before. I understand that, and I'm willing as a farmer to take that on as well. In Knox County, we have quite a bit of row crop application up there, and I'm seeing more and more taxes being levied every year. Starting with 2014, we seen a 25 percent increase across our county, 2015 we had a 20 percent increase, and 2016 is a projected 35 percent increase in land valuations in the western part of the county. While these numbers do not reflect such astronomical amounts as previous testifiers have, they are still a growth, it is a growth in government. I support public schools, I think they're great, I'm a product of them myself, but we also have to find that balance. When I see that growth going up and up, it's wonderful for farmers. As for myself, we seen growth in 2012 and 2013, but now we're backtracking. Farm and commodity prices are falling, but yet I'm seeing government prices and government entities still have an expanded budget. I would also like to grant that while I understand education has lowered in some districts, they have lowered their levy limits, that still does not negate the fact that overall total aggregate amount of taxes has still gone up dramatically. And when my income goes down, I have to reflect accordingly. I have to back off, I cannot expand my operation. I just ask that government would do the same thing. When we take a look at it, there are times that we have to step back just a little bit, we have to consolidate, and we have to make do with what we have. That's what business has to do, that's what farming has to do. Going back to my own personal farm, when I look at that, my combined taxes are about \$48 an acre. While that may not sound like a bunch to a lot of people, when you take that times 100 acres or 1,000 acres, all of a sudden you're dealing with a lot of money, you're dealing with real money. Beyond that \$48 per acre is roughly 10 to 12 percent of my total gross spending fund. That is a large number, I would like to see that number go down, I would like to work with anything. I believe LB958 and LB959 both slow the growth of government, as well as allow an opportunity for education, as well as government, to keep on serving the people as best it can. I stand in support of this bill. I think it is a great way to at least start bridging that tax gap for its citizens. [LB959]

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SENATOR SULLIVAN: Thank you, Mr. Greckel. Have you had any interaction with your local school board? [LB959]

SHANE GRECKEL: Yes, I have. When I talked to the local school board, the instances they come right back at me with is there are programs that are mandated. Our schools need this, these are mandated issues by law, we are bound to spend extra dollars in order to help the students. I understand that, but at the same time I do not. Frankly, because I went to school in that same high school, there wasn't air conditioning, there wasn't a lot of other stuff going on. As well as government, there was a lot less services, yet Nebraskans got by. One final thing with that question, Senator Krist, you said talking about with the taxes and the local county assessors. Yes, I would like to say I have tried to mitigate my taxes as well, and it does not usually do much good. In fact, our taxes usually raise when any farmers and ranchers talk about that. [LB959]

SENATOR SULLIVAN: Senator Krist. [LB959]

SENATOR KRIST: Did you just say that when you went to your county assessor more times than not your taxes either stay the same or went up? [LB959]

SHANE GRECKEL: Correct. [LB959]

SENATOR KRIST: On the record you're saying that county assessors are not responding well to the request to reevaluate? [LB959]

SHANE GRECKEL: I do not know what is driving it. All I'm saying is usually when our taxes in Knox County, and the individuals that I've talked with, and myself when we look at that, our taxes either stay the same or go up when we try to dispute them. And they may have very good reasons for that, I do not know. I'm just saying on a common ground when you start hearing that--when citizens start hearing that--then there is going to be a lack of individuals going forward to try to dispute their taxes, I believe. [LB959]

SENATOR KRIST: I appreciate your comments, and I'm not trying to cross-examine you. I'm just trying to mention here, and as I was with the question I asked before. This is not an easy solution. As Senator Schnoor said, there's a balancing act that goes on between education, which seems to be a driving factor. My point is we're not going to solve this until the county assessor, who you elect, are responsible to the land values out there in the agriculture, as they are...or as I hope they are in any jurisdiction. So thank you for your comments and thanks for coming today. [LB959]

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SHANE GRECKEL: Thank you. [LB959]

SENATOR SULLIVAN: Any other questions for Mr. Greckel? Thank you for your testimony. [LB959]

SHANE GRECKEL: Thank you, Senators. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

BARB COOKSLEY: Thank you. Good afternoon, members of the Education Committee. My name is Barb Cooksley, B-a-r-b C-o-o-k-s-l-e-y, and I'm a rancher from Anselmo, Nebraska. I serve as the president of Nebraska Cattlemen, and I'm here today to testify in support of LB959, on behalf of the association. Nebraska Cattlemen would like to thank Senator Sullivan and Governor Ricketts for bringing forward LB959 and the companion LB958, offered by Senator Gloor, that Nebraska Cattlemen testified in support of last week. High property taxes continue to be the number one issue Nebraska Cattlemen hears about from our members. At any meeting we host or attend statewide, multiple people ask when property tax relief is coming. When the Legislature convened the Tax Modernization Committee in 2013, Nebraska Cattlemen convened our own task force to better clarify our policies on taxation. Ranchers and farmers who make their living from the land carry a disproportionate burden in Nebraska's tax structure. Our property is our business, and whether it has been a good year or a bad year, property taxes must be paid each year. Property tax does not respond to changes in the economy or our businesses, and in many counties, the percentage of local revenue generated by ag property tax payers is now over 50 percent. In those counties, ag landowners carry the burden of providing the moneys to run local governments and fund K-12 education. Long-term solutions Nebraska Cattlemen have arrived at are a fair, simple, and efficient tax structure that does not overly rely on property tax, and incentivizes efficient government. Our members' children are attending schools across Nebraska, many of them in the most rural areas, where property taxes are the highest. The membership of Nebraska Cattlemen strongly recognizes the needs in funding for education, and has policies supporting school funding efforts that would decrease the reliance on property tax. For education support, NC believes that LB959 is a positive first step towards making these goals. LB959 also limits the growth of a school's district cash reserves to 5 percent per year. These are structural changes that are important, and just as farmers and ranchers make budget decisions and adjustments, we ask that you do the same. In closing, Nebraska Cattlemen appreciates the work of Senator Sullivan and the Education Committee during the interim, and we look forward to seeing property tax relief passed by this committee and the Unicameral. Thank you. [LB959]

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SENATOR SULLIVAN: Thank you, Ms. Cooksley. Any questions for her? Thank you for your testimony. Welcome. [LB959]

ROBIN BARTLETT: Thank you. My name is Robin Bartlett, R-o-b-i-n B-a-r-t-l-e-t-t. Senators, Governor Ricketts, I come to you today in this crisis which has happened to me with land taxes. I am not a current resident of Nebraska. I was born and raised in Dawson County, but I had to give my life up in another state to come back and address these exorbitant taxes that we're facing, and I have been seeing only increase in the last three to four years. As a result, I lose approximately 52 percent of my annual rent income just to pay property taxes. I recently had to have a meeting with one of my family members who farms my property and I had to tell him how much higher his taxes were going to go. He sat ashen and stone-faced because of what I had to lay on him, and I am still trying to keep it reasonable for him to make it. This should be a win/win situation for the landowner and the renter. And what's going on with these schools about how they are coming after landowners and just surreptitiously to saying well, we need this, we need more money. What are these schools producing that I can see as a retiree coming into Nebraska...and saying why would I want to retire here? Why would I, why would I tell anybody else to come...this is why Kiplinger has Nebraska on its list--don't retire in this state if you have land. So what I would say is I really support Governor Ricketts. I've written him, I have written my representative in Gothenburg. What I receive from certain members is just the same discussion. So you know, do I have a solution? No, I've only been in Nebraska for about three weeks, and I'm trying to catch up to understand what's going on. When I talked to my assessor this last fall, before the latest land taxes came out, do you know what he said? He said if you don't like these taxes, sell your land. There are some of us here who cannot and don't want to sell their land. Why should we be forced because of financial...I'm just saying irresponsibility that's just gotten out of hand. So I would say I thank you, Governor Ricketts, I thank those who are in support of LB959. It's a start, but it isn't enough. Thank you. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Bartlett. Any questions for her? Senator Kolowski. [LB959]

SENATOR KOLOWSKI: Thank you, Madam. Ms. Bartlett, thank you for coming today. I just wanted to make sure. The one area that you were blaming were the schools, are you only (inaudible)... [LB959]

ROBIN BARTLETT: No, no I'm not. Let me clear about it. I'm here because this is a school board...Education Committee meeting. I see land valuations as a huge culprit, and since I'm going to be moving into this state to deal with this, you can bet I will do whatever I can do to move this assessor out to another position. And I will be talking to their board and say what gives you the right. And the thing is that, you know, you cannot prompt these land valuations

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because we had boom years several years ago. And we're not that viable right now. I would say national economy and ag risks are still at a high, and I feel that, you know, schools aren't the main culprit and that won't be where my last word is said. [LB959]

SENATOR KOLOWSKI: You had mentioned schools as the centerpiece, I thought. I just wanted to get that clarified, thank you. [LB959]

ROBIN BARTLETT: It is a huge part. Thank you. [LB959]

SENATOR KOLOWSKI: Thank you. [LB959]

SENATOR SULLIVAN: Any other questions for Ms. Bartlett? I thank you for your testimony. [LB959]

ROBIN BARTLETT: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

MARY LOU BLOCK: Good afternoon, Senators. Thank you, Senator Sullivan, for hosting this. And this is the first time I've ever testified in Lincoln, and it was my birthday yesterday, so I thought what can I do for my birthday? I've never testified in Lincoln, I think I'll go. No. I am fourth generation operator... [LB959]

SENATOR SULLIVAN: Can you tell us your name and spell it? [LB959]

MARY LOU BLOCK: Oh, I'm sorry. Mary Lou Block, M-a-r-y L-o-u B-l-o-c-k, my address is 78235 Road 411, Gothenburg, Nebraska. I am a fourth generation owner/operator of a small family farm. We have 1,000 acres and we have a herd of 100 cows. My husband teaches math at a school in Gothenburg and I work as a registered consulting dietician at our local hospital. I'm coming today...this is not the first place that I have come. In regard to your question, Senator Krist, I think it was to the other people, I have gone...and I could list quite a few places that I have gone. I've gone to the school board, they know me very well, our local superintendent knows me very well, and he has been excellent to teach me about school finance and what we're up against. And I recognize that this is a multi-faceted problem, and I do applaud Governor Ricketts and you, Senator Sullivan, for introducing this bill. I am for it. I know that this is only one piece to the puzzle, but controlling spending is important. Right now we do have a conservative school board and we have a very fiscally conservative superintendent, but he's going to retire and I know that boards change. And reigning in spending is incredibly important. And

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why I say that, my valuations have increased 34 percent and 37 percent in the last two years. My taxes have gone up in a similar fashion, 20 percent last year, 36.5 percent this year. The amount of money that I make as a part-time registered dietician, it takes up most of my consulting money to pay my land taxes now, and then I come home and I work on the farm. So I'm asking that you would please consider this bill as a great option for one of the ways that we can control our spending. In regard to one of the question that you had about how much money does this take up of your farm, my taxes have gone up three times in the last 10 years--percentage-wise--in comparison to my income off of a cow two times. And my income off of my cows is continuing to go down, my expenses are continuing to go up. So I do think it's an incredibly important decision for us in Nebraska, what are we going to do with ag? Because the small guy like me is not going to be able to compete with the big operators, as well as the state, and that's the position I'm in right now. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Block. Have you had the opportunity, with respect to the details of this bill, to interact with your school superintendent at all? [LB959]

MARY LOU BLOCK: No, I have not specifically talked to him about this bill. I am not sure what he would say about this bill. He knew I was coming down to testify, though, because I went to him most recently, as well as to three of the school board members, within the last month, because I was concerned about what they were going to do with the teachers' salaries. And I thought wow, it's such a crisis, let's see if we can hold the line and not give any raises, because it is such a crisis for us. So at that point I talked to him and I told him I am coming down to testify because I want my story to be told. [LB959]

SENATOR SULLIVAN: Thank you. Senator Krist. [LB959]

SENATOR KRIST: Your testimony is very well balanced. I understand that you hit most of the high points on this bill itself, but just for the record, has your property either changed hands in the family or changed hands at all in the past decade? [LB959]

MARY LOU BLOCK: We purchased the land from my siblings when we settled my mom and dad's estate in 2003 or 2004, I think it was. [LB959]

SENATOR KRIST: And that's the last change of ownership, in terms of a valuation? [LB959]

MARY LOU BLOCK: Yes. Right. [LB959]

SENATOR KRIST: Thank you very much. [LB959]

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SENATOR SULLIVAN: Any other questions for Ms. Block? Thank you for your testimony. [LB959]

MARY LOU BLOCK: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

DALE GRONEWOLD: Thank you. My name is Dale Gronewold, from Gothenburg, Nebraska, D-a-l-e G-r-o-n-e-w-o-l-d. In regards to your...I thank you for having us today. The last speaker, Mary Lou, coerced me into coming, partially because she said some of the senators here in Lincoln don't believe that we have a crisis in agriculture. Well, where are they? Well, I'm here. I am here to tell you that we are bleeding in agriculture right now. My wife is a registered nurse, and I know enough about blood that when you have an issue with blood you have to put something on it to stop it. And what we have here in agriculture with our increased property taxes...and valuations is the biggest problem. It's because they continue to go up and up. Likewise, I'd like to say just ditto to everybody that's said here, I agree with everybody, I don't know what to say. I can't say anything different--90 percent difference in taxes that have increased in the last 3 years. At that rate...in 2008, I rented ground out for what in 2018 I will have to projectingly (sic) be paying in taxes. Now I'm bleeding to death and I'm going to retire in another year or two and hand this over to my young son. So I guess, just in closing, I just want to say that any property relief is a positive thing, anything. But somehow, we have to stop the bleed. Whether it be Senator Krist continues to talk to us about valuations, have you talked to your assessor, have you done this, have you talked to your board--yes, yes, yes. We have, but nothing happens. And in the case of our agriculture, our values continue to go up, the levies might gone down a little. But our levies gone down 0.2, from 1.7...something, down to 1.51, and that was a help. But my goodness, my valuations have gone up from, you know, \$2,500 to \$4,900 now, with the projection yet to still go up to another \$2,000 or \$3,000. We are bleeding to death and somebody has to help us as ag out here, it's not going to be the county assessors. Somehow there's got to be something from the state that's going...I believe that's got to stop this bleed, or we're going to die. Out here, as young farmers...my young son that's coming in, Glade, other farmers that have represented, something has got to stop the bleed. I thank you. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Gronewold. Any questions for him? Thank you for your testimony. Welcome. [LB959]

DAVID GRIMES: (Exhibit 2, 3) Thank you. Thank you for allowing me to speak today. I'm David Grimes, D-a-v-i-d, last name Grimes, G-r-i-m-e-s, I'm a farmer, I farm and live near Minden, Nebraska. I'm here today to represent the Nebraska Farm Bureau Federation, of which I'm a member of their board of directors. The Farm Bureau appreciates the work of Governor



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Ricketts and Senator Kate Sullivan in drafting LB959, aimed at controlling the rising costs of K-12 education through spending limits, TEEOSA changes, and levy limits. We support LB959 because we think this action would bring the levy and budget limits that schools work under back to a little bit closer to what they were originally intended to be when Senator Warner in the Legislature enacted those lids 20 years ago. The Farm Bureau's top priority is to reform the way we fund schools in Nebraska. It is clear we must better balance how we fund quality education in our state, if we are to alleviate the overreliance on property taxes. Delegates to our annual meeting in December set a marker in adopting policy, that no more than 40 percent of school funding should come from local property taxes. Moving away from band-aid solutions and towards structural reform is critical to providing meaningful and lasting property tax relief for all Nebraskans. The following are a few facts validating the need for structural reform to fix the property tax problem. Property taxes have been increasing greatly. Nearly \$3.8 billion in property taxes were levied in Nebraska in 2014-2015 fiscal year, 6 percent increase over the previous year. Over the last 10 years, property taxes collected statewide on agricultural land increased 176 percent; on residential property, 35 percent; on commercial property, 49 percent. Agricultural landowners continue to take the brunt of tax increases. Property taxes collected on agricultural land went up 12 percent statewide last year; while commercial property taxes rose 5 percent; residential, 4 percent. The 12 percent statewide increase on agricultural land taxes in 2015 equate roughly to \$2,400 increase in property tax per average on Nebraska farms and ranches. Nebraska's three-legged stool of property, income, and sales taxes combine...excuse me, are out of balance. Property taxes account for 48 percent of the total combined property, income, and sales tax collections in Nebraska. Income taxes account for 32 percent and sales taxes just 20 percent. Last year, the state allocated an additional \$204 million to the Property Tax Credit Fund, to which we're very grateful, however, property taxes still statewide increase \$216 million. Today, roughly 57 percent of total school spending in Nebraska comes from property taxes. Nationally, amongst all the states, that averages 32 percent. The Farm Bureau supports LB959, however, all of Nebraska's property owners are seeking even more relief from the disproportionate burden of property taxes. To that end, Farm Bureau will continue to work on additional measures. Thank you for all your efforts for what you do, and if the Farm Bureau can be of any help to you, we would like to help with that. I would entertain any questions and answer them to the best of my ability. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Grimes. I appreciate it. Any questions for him? Thank you for your testimony. [LB959]

DAVID GRIMES: Thank you for allowing me to speak. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

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ROGER BRANDT: Hello, thank you. Appreciate you being able to hear me today. I want to thank Senator Sullivan and Governor Ricketts. Our property taxes, like everyone else, are going up so dramatically. I agree with what one of the other persons said... [LB959]

SENATOR SULLIVAN: Oh, excuse me, sir. [LB959]

ROGER BRANDT: Oh, I'm sorry, my name. Roger Brandt, R-o-g-e-r B-r-a-n-d-t. [LB959]

SENATOR SULLIVAN: Thank you. [LB959]

ROGER BRANDT: Our taxes are going up so much that I will say what the other one they're saying: I'm getting ready for retirement. How do I justify this, when I go to rent this out to someone else, a young fellow or lady, whatever it is...I have somebody in mind? And how are they going to survive? What we do now, there's no money...a lot of money left. Thank goodness I have my own land paid for, about three quarters, and I rent 600-plus acres. And I have to give most of that money away. Well, this year, for all my expenses, I'm doing it for free. Property taxes, the landlord needs to get his share as the taxes go up, just as I will someday down the road. Our school board is out of control. I went to a school board meeting last night, I have talked to them before. They are proposing an \$18 million building that they want to add on an auditorium, and a preschool, and some other parts to the building. How are we going to pay for that? They do not have their last bond issue from 1998 paid for, it is an open-end bond. They don't have to pay for it. It could be 5 years, it could be 50 years, it could be 500 years, there's no set time. They want to roll that over in with the new bond. Where can we afford this? They say we've got to have it. Well, I understand that the costs go up: fuel, wages, insurance. Mine do too. You know, there's a lot of things that we don't need for the gymnasium, I'm sorry. I grew up and went to a one-room schoolhouse through my eighth grade. We all survived, we all got along. We're the ones that are paying for this. I'm not against education, not at all, but I think we have to use a common sense. We have TIF loans--there's some \$30...some TIF loans in Wayne, Nebraska. Those are people that are not paying taxes into our school district. They should be paying for 15 years, they are not paying in. If they were paying in, we wouldn't have to pay as much. So somewhere we've got to get...if most of the students come from in town, maybe they need to pay a little more also. You know, maybe their increase, if they're 60 percent...every school district is different, every one of them, but I'm just talking our particular one. Going to the assessor, you talk to them, they say our hands are tied, we have to agree what the state says. We can submit a...what do you want to call it, a...whatever it is in the fall. Valuation. Nothing ever happens. The school board has no ideas to cut back on spending, so I'm in favor of LB959. [LB959]

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SENATOR SULLIVAN: Thank you, Mr. Brandt. Any questions for him? Thank you for your testimony. Any other proponent testimony on LB959? We will now move to opposition testimony. Welcome. [LB959]

MIKE LUCAS: (Exhibit 4) Thank you. My name is Mike Lucas, M-i-k-e L-u-c-a-s, I am superintendent of schools in beautiful York, Nebraska. So I am here representing the York Dukes, as well as STANCE. And as the packet comes around, you'll see the 15 member school districts of STANCE on the bottom. We appreciate Senator Sullivan and her leadership, and are sad to see her go due to term limits. We will miss her next year. We oppose LB959, you're going to hear a lot from folks that come behind me about why. We've got a one-pager that explains some of our concerns about LB959, I'll touch on the fifth paragraph. One of the concerns that we pointed out from York's perspective is the handling of the qualified capital purpose undertaking fund, also known as QCPUF. And right now, we levy 2.7 pennies worth, which is about \$300,000, and if that had to be fit inside of the \$1.05, that would cause big problems in York, Nebraska. qualified capital purpose undertaking fund is used for mold abatement, it's used for air quality control, it is not used for lavish things. I think the big elephant in the room regarding LB959, and I'll say this respectfully, is school spending is not the problem. It is not the problem. The last decade, and you'll hear from OpenSky later, school spending has increased by an average of 3.5 percent annually. We heard earlier today that the state is thrilled with their move from 6 percent down to 3.5 percent in annual spending, we've done that for over a decade. Many school districts like Gothenburg, like York, South Sioux City are well below that 3.5 percent spending average. We're at 1.8 in York, Nebraska. We have a school funding problem, that's what we have. And I love farmers, and it's sad to me to hear the us versus them, and I get that, I grew up in farm country down in the rural part of Florida. Some of my best friends are farmers in West Point, Nebraska, Franklin, Nebraska, and York, Nebraska. We have a funding problem which causes property tax issues. There is nobody in the state of Nebraska that wants property tax relief more than local school board members and superintendents, we deal with it 365.25 days a year. We used to have 32 percent of the state budget allocated to K-12 education, we're now down closer to 27 percent. LB959, LB958, and several other bills have a lot of unintended consequences that are going to negatively impact school districts as we know it. Nebraska public school districts are doing a great job, we're always going to be a work in progress. In the packet I've given you, there's several examples of documents that I've emailed each of you over the last couple weeks as well. But we're proud of what we do and we want to do better. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Lucas. You spoke specifically to the fifth paragraph of your testimony that dealt with QCPUF, and you said that it's not on lavish expenses. Are those...and QCPUF identifies some of the expenses or some of the projects that are approved under that. And now under this proposed legislation, you would have to take those requests to a vote of the people. [LB959]

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MIKE LUCAS: Yes, ma'am. [LB959]

SENATOR SULLIVAN: Do you view that as a problem? [LB959]

MIKE LUCAS: Yes, ma'am. [LB959]

SENATOR SULLIVAN: Why? [LB959]

MIKE LUCAS: In the very last two pages of the packet are copies of what I emailed you a couple weeks ago about the QCPUF restrictions. It's a problem because of timeliness. You know, if we find out, heaven forbid, that there's mold at York Elementary School today on February 9, and we have to spend \$10,000 on a bond election and go through the bond process where a vote of the people process and have to have to resolution read before the board and then 60 days until a vote, do we have 5- and 6-year-olds dealing with mold 90 days from February 9 when we find out? That's not a memo I look forward to sending home to our taxpayers. [LB959]

SENATOR SULLIVAN: Is that something that comes up suddenly, that you have a hard time anticipating? I mean, I'm just trying to figure out how mold abatement is an ongoing or surprising occurrence. [LB959]

MIKE LUCAS: That's one example. As we have different school inspections we're required to have--school safety inspections. And that's just one example of what could happen. You know, another example could be roofs, due to high wind, due to hail, those types of things. If we have roof issues... [LB959]

SENATOR SULLIVAN: But that would be covered by insurance, right? [LB959]

MIKE LUCAS: Sometimes. You would hope. It's hard to...yeah, I don't want to speak for insurance, what they do and don't cover. You know, Governor Ricketts pointed out earlier that you plan ahead and we certainly do, we have a seven-year facilities plan. Our school board met as a committee last night and we updated our facilities plan, but we're slammed up against the \$1.05 levy limit, like many school districts in the state of Nebraska. And we have about 2.5 pennies in the building fund, and so we don't have the viability to plan ahead as much as we would like to. And so we've...our board, as you all know, has the ability to levy up to 5.2 cents currently, through Qualified Capital Purpose Fund, outside of the \$1.05 levy. Our board is so "out of control" they've levied 2.7 pennies, so they left 2.5 pennies on the table. You know, if they were truly out of control, if we were truly these people that just want to spend, spend, spend, they would have levied another 2.5 pennies. [LB959]

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SENATOR SULLIVAN: Thank you, Mr. Lucas. Any other questions? Senator Schnoor. [LB959]

SENATOR SCHNOOR: Could you, I guess so everybody here in the room understands, could you tell us what QCPUF is? [LB959]

MIKE LUCAS: Yes, sir. It's the qualified capital purpose undertaking fund. State Law 79-10,110 allows school district board of education to levy up to 5.2 cents per \$100 of assessed valuation for this fund. It's established for the removal of environmental hazards, the reduction or elimination of accessibility barriers, barriers and school district building, the repayment of a qualified zone academy bond issued for qualified capital purpose modification, safety code violations, indoor air quality, mold abatement and prevention projects. [LB959]

SENATOR SCHNOOR: Okay, thank you. [LB959]

MIKE LUCAS: Yes, sir. [LB959]

SENATOR SCHNOOR: But on one of your sheets here...I guess, let me back up. Is that inside of the \$1.05 or outside? [LB959]

MIKE LUCAS: Currently, it's outside the \$1.05. [LB959]

SENATOR SCHNOOR: Right. [LB959]

MIKE LUCAS: And as we understand it, sir, it would be inside the \$1.05 if LB959 in its current form went forward. [LB959]

SENATOR SCHNOOR: Okay. One of your comments here, that I have a question on then, you say if...and I'll just read this: if we will no longer be able to put QCPUF needs outside of the \$1.05, we would need to look at cutting programs and/or staffing. [LB959]

MIKE LUCAS: Yes, sir. [LB959]

SENATOR SCHNOOR: So if QCPUF is involved in buildings and upgrades and making fixes, why would you have to cut staffing? [LB959]

MIKE LUCAS: All right, great question. So right now we have \$1.02 approximately in our general fund, that's what we operate our district on. We have about three pennies in the building

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fund, okay, 2.7 in qualified capital purpose. If that 2.7 had to come under the \$1.05, that would be about \$300,000 worth of money to us and then if we would...since we already have that existing debt, we already have the air quality control--and you'll read that on the last two pages--the mold abatement issues, the things that it's been used for in York over time, then we're going to have to find \$300,000 of our current budget that is going to displace. And that would be people and programming. [LB959]

SENATOR SCHNOOR: Okay, thank you. [LB959]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB959]

SENATOR PANSING BROOKS: Thank you, Madam Chair. Thank you, Mr. Lucas, for coming forward. I appreciate your statement that school funding is not the problem, and as we've gone through all these interim hearings and gone through all these meetings to look at property taxes and the problems, I don't believe we've ever made or proved the nexus that education funding is too high. We understand on one point that many Nebraskans feel that property taxes are too high, so immediately everybody looks to where to cut. Well, I guess we just cut education, not because we need to, but because some say we have to. And I co-chaired the LPS bond issue in 2007 for \$250,000,000, we dealt with QCPUF, we dealt with all of these issues, we went to all the different schools. We had 60 members of the community looking at all the schools and seeing the roofs...the roof at Pound Middle School that have holes in it and they had pails catching the water. We did all sorts of interlocal agreements and met with the Y, and with the Parks Department, and with all sorts of groups to figure out what is the best way to save the most dollars for our community, and to make sure that we are able to fund our schools and fund the renovations in the best way possible. So again, I have no proof, I have no evidence of the nexus that since property taxes are too high, which many say, where is the nexus that education is too high too? When we went in Lincoln Public Schools, we went to many businesses all over the city and asked them to help us to...because we did a special election for the bond issue. And we went to many businesses to say can you help us so that we can explain and have a bond issue on this. And to the business, they all came and said we support this, our greatest strength in Lincoln is our public education. And I dare say it's true across the state. And if we want to attract businesses, if we want to attract employees, if we want to attract the people that we want to this state to help it grow, to help it thrive, to increase our work force, then we have got to keep education strong. And I don't see where the cuts are necessary. Thank you for those points. [LB959]

MIKE LUCAS: Yes, ma'am. And you made a great point. With our qualified capital purpose fund, we passed a bond election in 2011 for high school renovations and expansion--69 percent of the voters approved that, which we're very proud of. And part of our process was using

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qualified capital purpose fund for a geothermal well field, which keeps our operating cost down through energy efficiency. So there's a lot of benefits to it that go unnoticed. [LB959]

SENATOR PANSING BROOKS: And I'd like to add that I see time and again where school districts are working to be the best business people they can, and make the most efficient decisions and uses of those tax dollars. And in the case of the 2007 bond issue, that was a repurposed loan at no tax increase to any Lincoln resident. So again, I don't see the issue, but I do see the growth in our children, I see the growth in needs. We're adding in Lincoln the same number of children as the city of Wahoo. So we have needs that need to be met, and to just arbitrarily decide that the cuts need to be made because the property taxes are too high...I appreciate Senator Sullivan and Governor Ricketts for their efforts to try to deal with a large contingency of people who are unhappy with what's happening, but if we start cutting our schools, there's going to be an even greater contingency of people that are very upset about our children and our future. [LB959]

MIKE LUCAS: Yes, ma'am. And we're very upset as well. We don't like how overreliant on property taxes we are, and again, we want property tax relief as much or more than anybody in the state of Nebraska. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Lucas. Just to clarify a couple of things. Any existing debt--bonded indebtedness--would not be covered under this legislation. And then also, and I think you alluded to it, if you wanted for good reason to bond for some of these capital projects under this proposed legislation, you could take it to a vote of the people and go beyond the \$1.05. [LB959]

MIKE LUCAS: Yes, ma'am. [LB959]

SENATOR SULLIVAN: Okay, thank you. Any other questions? Thank you for your testimony. [LB959]

MIKE LUCAS: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

VIRGINIA MOON: Thank you, Senator Sullivan, members of the committee. My name is Virginia, V-i-r-g-i-n-i-a, Moon, M-o-o-n. I represent NCSA, the Nebraska Council of School Administrators. I'm here sort of to set the stage for all the people who are coming after here. And Senator Sullivan, you're absolutely right, you're going to hear from a lot of us advocating for

things we don't like about this particular bill. I appreciate you comments, Senator Brooks, about where we are and what is exactly the problem. The one thing that we'd like to...or the things that we'd like to talk a little bit about today is that the education of every single child in Nebraska is our job and our mission in schools. We don't get to choose who comes, we want to be sure that every child gets those opportunities and that we support the initiatives of the Governor and others, in terms of providing even a better education in regards to career and technical education, all of the things that are on the plate of education when school administrators help boards of education sort of weather the storms that go along, and school districts are every bit as independent and as individual as the students that we serve. And so all of the components of this bill LB958, and LB959 collectively, are going to affect school districts differently. But school districts don't really have any way to decide or determine or control how many students come to us, how many students we lose. We don't have any way to talk about how many are special education, how many are English language learners, we can't control whether or not a boiler fails, and now a roof...perhaps if we were proactive, we can keep those roofs in place to keep those things from happening. We can't control the cost of technology in giving our students everything that's necessary for that, we're in a very competitive hiring climate when it comes to teachers, especially in specialized areas, health insurance costs are increasing, worker comp claims, snow removal from last week. All of those are expenses that affect each school differently. And if you look at LB958 and LB959 together, they really remove every single tool that school districts have to weather those storms and to do some things to protect the students in those school districts, to be sure that the education and the quality of education is what we expect it to be in Nebraska. And so with that, I would respectfully ask that the committee and senators on the floor and the Governor take a look at how each of these components affect school districts, and maybe put in some of those amendments that might be necessary to allow for a failed boiler with the QCPUF fund, or to do some of those things. Because essentially, all of those strategies that you're going to hear about going forward are gone when you put the two bills together. [LB959]

SENATOR SULLIVAN: Thank you, Dr. Moon. So would you rather we reserve questions on the impact of removal of those tools to other people coming up, or would you like to respond to some of them? [LB959]

VIRGINIA MOON: You know, I'd be happy to respond to some, but I think that your examples from specific school districts and how different components of the bill affect them will probably...you'll have better experts with that. [LB959]

SENATOR SULLIVAN: All right, thank you. Any other questions for Dr. Moon? Okay, thank you. [LB959]



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VIRGINIA MOON: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

HENRY EGGERT: Welcome. Thank you. Henry Eggert, superintendent Thedford Public Schools, H-e-n-r-y E-g-g-e-r-t. I'd like to just pigtail three talking points onto the York superintendent's comments. I'm sure some of these will be reiterated further. Retirement contributions, if I recall correctly, with the Legislature, raises the retirement contributions that gave school districts this tool to manage the mandate, by allowing that to be outside the spending lid because we have no control on the spending increase. Two other talking points. Unused budget authority, if we cap the amount that can be carried over, this promotes spending and the use it or lose it philosophy. It seems to me we will be rewarding what we don't want to see. Our district uses its savings account in case some unexpected expenditure arises. For instance, if a tornado takes off a roof and we have an insurance check to replace it, but not the spending authority, we could then tap into the unused budget authority. You have unused budget authority because you are frugal and don't spend every dime. Early retirement incentives...we currently receive no state aid. I considered an early retirement package to encourage eligible retirements and avoid RIFing good teachers. Young teachers are often the victims of RIF. RIF hearings are expensive and every teacher asked for one. They can cost anywhere between \$12,000 to \$20,000, passing this bill would end that consideration. Thank you. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Eggert. So with respect to the unused budget authority, we're not getting rid of all of it, we're just limiting it to 5 percent carrying forward. [LB959]

HENRY EGGERT: Yeah, I understand that. [LB959]

SENATOR SULLIVAN: Do you still think that will be onerous? [LB959]

HENRY EGGERT: Yeah. [LB959]

SENATOR SULLIVAN: And early retirement exclusion, we're just asking for a 10 percent recapture of that to be included...so we're not getting...again, we're giving some relief there. [LB959]

HENRY EGGERT: I understand. [LB959]

SENATOR SULLIVAN: Okay. All right, very good. Any other questions? Senator Schnoor. [LB959]

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SENATOR SCHNOOR: Could you say again where you're from? [LB959]

HENRY EGGERT: Thedford, Nebraska. T-h-e-d-f-o-r-d--Thedford, Nebraska. [LB959]

SENATOR SULLIVAN: Any other questions? Thank you. [LB959]

HENRY EGGERT: I just have one copy, we're on a budget. [LB959]

SENATOR SULLIVAN: (Exhibits 5, 6) As the next testifier is coming up, I have to apologize. I failed during the proponent testimony to indicate that there were two letters of support: one from Jim Vokal, CEO of the Platte Institute for Economic Research; and also Dennis Fujan, president of the Nebraska Soybean Association. Welcome. [LB959]

LINDA RICHARDS: (Exhibit 7) Thank you, Senators. Good afternoon, Chairwoman Sullivan and members of the Education Committee. My name is Linda Richards, L-i-n-d-a R-i-c-h-a-r-d-s, and I am president-elect of the Nebraska Association of School Boards, and appear on behalf of the association's membership today for the purposes of opposing LB959. For the past 20 years, I have served my local community of Ralston as a board of education member, and during that time I have testified before this committee several times. Today, I am testifying on behalf of approximately 1,700 individual school board members from across the state, whose voice of concern about this legislation was heard at our recent legislative issues conference. LB959 has several components. For the sake of time, I will speak to two of those policy changes in LB959 that I believe need to be addressed. The first is the provision found in Section 4, Subsection 3, regarding the removal of the exclusion of expenditures to pay for employer contributions to the school employees retirement system. If passed as part of this legislation, the impact for districts across this state would be extremely negative, and could ultimately require school districts to reduce staff and increase class sizes to address the shift of responsibility from the state of Nebraska to the local school district taxpayer. For the school district of Ralston, the retirement cost that would be placed back under the general fund budget would be approximately \$472,030. Ralston Public Schools is presently at a \$1.05 levy limit and would have no additional room to absorb these costs inside our general fund. It would therefore need to reduce our budget by that same amount. For our district, that would mean a reduction of staff of approximately 10 teachers. Unfortunately, due to the removal of other exclusions in LB959, the Ralston Board of Education and all boards of education would not have a tool of voluntary separation to assist us in mitigating the shift of costs that would occur with placing retirement costs back under the levy lid. The second provision in LB959, referenced throughout the bill, refers to elimination of levy exceptions that do not require voter approval for future capital projects. These exceptions include lease purchases, voluntary separation, QCPUF--as mentioned before by other testifiers. Senators, the removal of these exceptions will not attain property tax relief. The exceptions that you are

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eliminating in LB959 are tools that were provided to local boards of education over the years to address the lack of state aid and inability of the needs in the formula to be met. In 1996...yeah, I was here, LB1114 established the levy lids applied to local school districts today, as well as the exceptions to the lids, acknowledging the exclusions as "reasonable and appropriate expressions of policy, and assisting in the quest of reducing reliance on property taxes." That's a quote from the floor debate. In Ralston, as an example, the use of the voluntary separation exclusion has meant an overall reduction in the employee costs associated with a more experienced staff. Over the past 8 years, the Ralston board has accessed this exclusion for 60 staff members and has reduced our cost of operating as a result. Our voluntary separation exclusion represents 1.16 percent of our total levy, which is \$1.26. Senators, 93 percent of our school district's budget costs are in people. Removal of the voluntary separation exclusion will cost taxpayers more in property tax, not less. Finally, senators, the removal of these exemptions in QCPUF, as have been mentioned before, will be detrimental to school districts. For Ralston, we do not exercise our full allotment in our QCPUF, we are at 2.5 percent of our overall levy. In closing, senators, and in my final comments to you, I appreciate your time, I appreciate the service to the state. I also appreciate several of my fellow school board members and colleagues who are here, who are unpaid volunteers who have taken time away from their businesses to be here today to testify on this important bill. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Richards. [LB959]

LINDA RICHARDS: Yes. [LB959]

SENATOR SULLIVAN: Any questions for her? Senator Baker. [LB959]

SENATOR BAKER: Thank you, Senator Sullivan. Thank you, Ms. Richards, for being here today. Would you talk a little bit about how your district uses QCPUF. [LB959]

LINDA RICHARDS: Absolutely. Thank you, Senator. I appreciate the question. For Ralston...and I do have that included in your testimony here so that you can also note that as well. But for us we have utilized the fund. Predominantly you heard the...by the superintendent from York, Mr. Lucas, you heard that there are certain things that we can use it for. And so we've been very expeditious in trying to keep those costs down. Because we've been at \$1.05, Senator Baker, we have had the inability for the last seven years to apply dollars to our building fund. And so we have not put dollars into a building fund, where you might on occasion, as Senator Sullivan mentioned, pull from those resources to do certain projects. Because of those limits, we've not been able to allocate from that fund. So we've done things such as getting rid of mold issues. We had an old...few old buildings. We do have buildings that were built in the late '50s, early '60s. And so those things, although you think could you could you not plan for those?

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Those are things that you do find as you go through the process of some of your building assessment in locating some of those things that have maybe been happening over the years that you're unaware of. But they're costly. Mold abatement is a very high price. We've also put in for those areas which title dollars have not been able to be expended for with regard to means of egress, on playgrounds, we are also able to use those QCPUF as you heard in those qualifiers of what we were able to do with that. So we've really tried to be expeditious with what and very targeted with what those dollars are for. We would not have rolled those into a bond issue of some sort. We're very pragmatic with regard to our bond issues. We're about...we're very proud. In December of this year, we're about to pay off the middle school bond issue and actually moved expeditiously through our general fund obligations to pay that down quicker. We refinanced numerous times to make that happen, all in the same time of having budget cuts. But it was a priority to pay that down. I appreciate your question. [LB959]

SENATOR SULLIVAN: Any other questions? Senator Schnoor. [LB959]

SENATOR SCHNOOR: You talked about the voluntary separation exclusion. [LB959]

LINDA RICHARDS: Yes, sir. [LB959]

SENATOR SCHNOOR: That is--what, is it, please correct me if I'm wrong--is 2.5 cents above the \$1.05. [LB959]

LINDA RICHARDS: Yeah. It is outside our levy limit. That is correct. [LB959]

SENATOR SCHNOOR: Right. [LB959]

LINDA RICHARDS: And so for us in Ralston, if you allow me to just...I want to make sure you have correct and accurate numbers there... [LB959]

SENATOR SCHNOOR: Well, what does the statute say? It doesn't matter what Ralston is. But what is the statute? [LB959]

LINDA RICHARDS: Yes, the statute allows you to have those dollars outside of your levy limit. [LB959]

SENATOR SCHNOOR: How much? [LB959]

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LINDA RICHARDS: That is determined by the board taking that to...amongst ourselves voting what that percentage is. [LB959]

SENATOR SCHNOOR: Okay, here's my question for you. [LB959]

LINDA RICHARDS: Yes, sir. [LB959]

SENATOR SCHNOOR: Why do you...what is the purpose for the voluntary separation? [LB959]

LINDA RICHARDS: Yes. Thank you. [LB959]

SENATOR SCHNOOR: It's to get...it's to allow for them, the older teachers to retire. You can hire a new teacher to come in, pay them less money. And it's to save money for the district, correct? [LB959]

LINDA RICHARDS: That's correct. On its face, that would be what the approach would be. Now I will admit that there are occasions, Senator, where you are not able to have the more experienced staff member leave and have that replacement be less. That is because in some cases you have master's degree teachers that you would have to seek with regard to whether we have dual enrollment classes with UNO or Metro, certain classes like science and English that we would want to maintain for our students to be able to get that dual credit. [LB959]

SENATOR SCHNOOR: So why then the allowance? You're doing it to save money... [LB959]

LINDA RICHARDS: Yes, sir. [LB959]

SENATOR SCHNOOR: ...to save taxes. [LB959]

LINDA RICHARDS: That's correct. [LB959]

SENATOR SCHNOOR: And then you can levy more taxes with this exclusion. And it makes no sense to me. [LB959]

LINDA RICHARDS: You're not able to levy more taxes. You make a decision, Senator, that you are going to have those dollars that are outside that levy limit not compete with your general fund operating... [LB959]

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SENATOR SCHNOOR: You levy more taxes, period. [LB959]

LINDA RICHARDS: I have not levied more taxes in the last seven years, period. [LB959]

SENATOR SCHNOOR: If you go outside...if you had this exclusion, you're levying more taxes. [LB959]

LINDA RICHARDS: What I'm being given the opportunity to do, in light of the fact that I have \$1.05 levy limit, is do additional work that I would not be able to do inside a levy limit that the Legislature placed upon public education back in 1996. [LB959]

SENATOR SULLIVAN: Any other questions? Thank you, Ms. Richards. [LB959]

LINDA RICHARDS: Thank you very much. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

JEFFREY L. MESSERSMITH: My name is Jeffrey L. Messersmith, J-e-f-f-r-e-y L. M-e-s-s-e-r-s-m-i-t-h. Thank you, Senator Sullivan and Education Committee for allowing me this time to discuss LB959. A few points that I guess I would like to piggyback to. One, the QCPUF. In our case, I am from Wynot Public Schools, I'm the superintendent of schools and I teach math. In our district, we are a small school district of 161 students PK-12 and currently we're in a 95-year-old building. In that building there are things that come up like mold abatement and those types of things that, of course, QCPUF allows us to take care. We are up against the \$1.05 levy. That gets me to my second point. In some cases, there are other statutes that are in place that preclude and inhibit my school board from taking a vote of the people. This one is statute 79-458. That limits districts that are under 60 students in high school and within 15 miles of neighboring district--in our case, we are 13.5 miles from Hartington--from having a levy override. In this case, if we have a levy override, it allows an individual landowner, anyone, if they're touching a neighboring district, to freehold their land to that district. Ten years ago, we found that out. It was prior to me, but Wynot Public Schools did a levy override and we lost 30 percent of our valuation. On current dollar values, that's about \$85 million of valuation. We're a land-poor district. In our case, we only have \$180 million approximately of valuation, and that serves our 161 students. If you look at what Wynot is capable of doing and...you know, we'd like to say that LB959, that that's going to hurt more districts than just us in that same way. We do know this: our students typically graduate with no less than 12 college credits and as many as 30. Likewise, we continue to have a 100 percent graduation rates and our average ACT score is generally higher than the state average. Wynot Public Schools School Board is elected and they do manage and take seriously

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the patrons of the district. Finally, if LB959 and LB958 become laws as they're currently written, Wynot Public Schools Board of Education will be posed with some difficult decisions that impact their students directly, whether that is cuts in staffing or neglect to the facilities. We believe that our senators will make the right choices for students across the state. These two bills currently as they're written impact education negatively. Thank you for your time. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Messersmith. Just to clarify, when you talked about the levy override and the impact on freeholding, but if you were to go to the voters for a revenue bond, that's an exception. So freeholding would not apply, is that correct? [LB959]

JEFFREY L. MESSERSMITH: That is correct. [LB959]

SENATOR SULLIVAN: Okay. Thank you. Any other questions? Thank you for your testimony. Welcome. [LB959]

JON HABBEN: Good afternoon, Senator Sullivan, members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools Association. I'd kind of like to redirect some of the conversation back to the reason we've had these dramatic increases in ag land taxes. And I think we've heard a number of people talk about the out of control spending. As we've looked at this since clear back '03-04 forward, we do find aberrations where this district in a particular year, their spending was up 10 percent. I mean you do find some of those things. You also find the school that just reorganized and had to bring in the other school and all of a sudden their spending went up 60 percent. So, yes, there are these aberrations. There are also a lot of below the trend line--if you call 4 percent a trend line--below the trend line spending activity; in other words, only going up 2 percent or 1 percent or flat or minus. You do see a lot of that. But one of the issues here that I think we do need to get back to is when you look at what has happened with equalization aid, what you do when you look across rural Nebraska is you see its exodus. So you could have spending on an even lower trend line. But that exodus of that much money, nearly \$300 million since '07-08, when you see that, you can pretty much expect to see TEEOSA and tax replacement. It's just as plain as can be. And I think that's one of the things we have to get back to and we have to look at that factor because even if it would have been a 3 percent spending cap or trend line, that would have still happened and you would have still seen the dramatic increases in ag land spending. I do appreciate the bills that have come forward: LB958, LB959, the other bills that are coming in a variety of ways. They're going to contribute to working through this. And I think we all have to be glad about that. But at the same time we also have to understand where the real issues are at and not make wild statements about what we think has happened. [LB959]

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SENATOR SULLIVAN: Thank you, Mr. Habben. You mentioned that with the increase in ag land valuations and also then the accompanying decline in enrollment across rural Nebraska, have many of these rural school districts had to almost depend totally on property taxes to fund their schools? [LB959]

JON HABBEN: Outside of their other smaller revenue sources and a certain amount of categorical state money, but yes, that's exactly what's happened. [LB959]

SENATOR SULLIVAN: And so then if you consider that and you look at the components of LB959, are there specific elements of that bill that again, keeping in mind the increase in valuations, that a bit more pressure on property taxes? Are there components of LB959 that are particularly onerous to particularly the membership of NRCSA? [LB959]

JON HABBEN: Well, I think when you see the elimination of something like the QCPUF, for example, when you see the elimination of a tool--not a modification of a tool, the elimination of a tool--that's highly concerning because those future projects are still out there in all kinds of school districts all over the state. You have other things that appear to be a ratcheting. For example, we had a spending percentage here. We're going to have a spending percentage now here. We've dealt with some of this before: the temporary aid adjustments that we went through for about four straight years, LB235 a few years ago. We've dealt with the harshness of some of these kinds of things and worked our way through it. Thankfully they weren't permanent because, after all, the pressure on education is to improve, get better, grow. And you've got to have some flexibility, and that includes some financial support to be able to do that. [LB959]

SENATOR SULLIVAN: What about the particular component about reserves? [LB959]

JON HABBEN: That's an interesting piece. When when we looked at that we found that 50 percent of the school districts in the state were at less than 50 percent of their reserve capacity. And in fact, there were about 50 to 60 school districts in the state where there were less than 25 percent of their reserve capacity. What that tells you is that the reserve capacity is not the same in every district. Everybody doesn't have the same number of dollars as per their size of district. And there are lots of historical factors, kind of like unused budget authority. Lots of historical factors that play into that and that's why I think we worry about anything that's a broad brush that catches school districts at a point where, well, we can manage this for a little while. And then you catch other school districts in the, oh my, what are we going to do now? And then you catch other school districts who happen to have such a low reserve that their flexibility is next to nothing. That is the difficulty I think with the broad brush. Is it possible that you could have school districts at that top...let's say they're at over 75 percent of their reserve and say to those school districts, well, you know, you probably didn't need that much reserve. Well, convince



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their local board of that because their local board is trying to protect that district with very few tools. And things like an unused budget authority and necessary cash reserve are two of those tools. Now, can you ratchet down a number of these numbers and say that you haven't heard anything? Eye of the beholder. [LB959]

SENATOR SULLIVAN: Okay. Thank you, Mr. Habben. Any questions for him? Thank you for your testimony. [LB959]

JON HABBEN: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

TIFFANY JOEKEL: Thank you. Senator Sullivan, members of the Education Committee, my name is Tiffany Joekel, J-o-e-k-e-l, and I'm policy director at OpenSky Policy Institute. I want to start by thanking this committee and the Governor and the Revenue Committee for all the time and thoughtful consideration you put into this challenge of property taxes in Nebraska. I also want to be respectful of the testifiers that testified in support of this bill for the very real challenges that I think they articulated. I'd like to make a few points about why we oppose this bill and the primary point being that we don't see school spending as the problem that's driving our property tax challenges. As Superintendent Lucas said, the Legislative Fiscal Office issued a report this interim that I believe was provided for this committee and the Revenue Committee that found that total school spending over the last decade is at the lowest it's been in 30 years: 3.5 percent on average in the last decade. And that is what...the Governor has held budget growth to in the last year and has mentioned that 3.5 percent number a lot. So we just think it's important to recognize that school spending has also been held to that level. We are also concerned that the fastest growing areas of school spending are those not necessarily being addressed in this bill. It's transportation, it's special education, and it's the "all other" category which is primarily federal funding to school districts. I think it's also important to note that one area addressed by LB959 is construction-related expenditures, and what the LFO report found was that there was actually 0 percent growth in construction-related expenditures by schools between 2004 and 2014. So fundamentally, we're concerned that this bill, while it's certainly well-intentioned, may not be attacking the right component of what is really driving these challenges. Secondly, it's often noted that we are a high per-pupil spender as a state. And the LFO report again, did a great job I think of explaining what's happening there. And I quote, "Costs don't change significantly if the number of students per class decline." And so they're talking there about declining enrollment districts. "On the other hand, the larger growing districts are adding new buildings and staff to account for their growing enrollment. If declining districts grow at inflation and growing enrollment districts grow at inflation plus enrollment growth, the overall statewide spending will always grow faster than inflation plus enrollment growth." So again, I think that the

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problem here is not necessarily one of education spending but of the way the distribution and the way we fund K-12 education in Nebraska. The Governor stole my thunder when he said we are 49th in state support for K-12 education. And we certainly do respect that a large proportion of the state budget does go to K-12 and higher ed, nearly half of the budget. However, what we see in the numbers is that property taxpayers pay more for K-12 education and until we fundamentally address that imbalance I think we'll continue to struggle with this challenge. So with that, I'd be happy to answer any questions. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Joekel. [LB959]

TIFFANY JOEKEL: Sure. [LB959]

SENATOR SULLIVAN: Any questions for her? Senator Schnoor. [LB959]

SENATOR SCHNOOR: You kind of, I guess, answered my question at the end. But, you know, we've had 10 proponents and 8 opponents. All the 10 opponents (sic) basically said our taxes are too high. All of the 8 opponents have said essentially, it's not our fault. So what's your suggestion because really I haven't heard any suggestions from anybody. It's just they're too high, and it's not our fault. [LB959]

TIFFANY JOEKEL: Right. So I mean I think the fastest way to answer that...but I'll get to a harder answer too, but I think the fastest way to answer that is school spending. We don't see any evidence that the problem, so trying to tighten down school spending is not going to be the answer. We fundamentally believe it's the way--the proportion of state investment in K-12 education. And to get at that, OpenSky has the perspective that that will probably require new revenues. And so we are willing to engage in that conversation about where those revenues may come from. You know, we at OpenSky have talked a lot about broadening the sales tax base to include services and ensure that sales tax is covering the services that our economy really is dependent upon today, in the way that we used to be reliant upon goods. There are bills in front of this Legislature that raise revenue, so to the extent that those could be considered. Senator Sullivan has a bill that was introduced last session, LB523, that specifically raised the income tax to pay...to invest in K-12 education and reduce property tax reliance. Senator Gloor has a cigarette tax revenue bill. So, you know, there are a couple of options available for you to this Legislature. We would certainly be have been happy to continue to work with this Legislature to find ways to make additional investments in K-12 education that replace our reliance on property taxes. But until we get to that, we're concerned that any of these other proposals will only serve to harm our outstanding public school system in Nebraska. [LB959]

SENATOR SCHNOOR: Okay. Thank you. [LB959]

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TIFFANY JOEKEL: Sure. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Joekel. [LB959]

TIFFANY JOEKEL: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

JASON HAYES: (Exhibit 8) Hi. Good afternoon, Senator Sullivan and members of the Education Committee. For the record, I am Jason Hayes, J-a-s-o-n H-a-y-e-s. I am here representing the Nebraska State Education Association. I am testifying in opposition to LB959. While we appreciate the efforts of Senator Sullivan and Governor Ricketts to address recent increases in local property taxes, we are concerned about the bill's possible impact upon local public schools. With agricultural land valuation growth capped at 3 percent in LB958, and budget lid exceptions removed in LB959, the impact of both bills together with the \$1.05 levy lid could result in a diminished capacity for local public schools to provide quality education, especially if additional state aid does not make up the difference. I have included in my handouts, a chart showing state aid to education funding over the past ten years. This upcoming year, state aid is only scheduled to grow at 1.13 percent. And as of this current fiscal year, state aid is still \$35 million below the funding level that was in place back in 2010. It is because of the 18 percent-plus reduction in state aid in 2011 and slow growth since, that has caused school districts to rely even more heavily on local property taxes. We ask that this state aid funding issue be addressed, especially if both LB958 and LB959 are advanced by the Legislature. And I thank you for your time and am welcome to any questions. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Hayes. Any questions? Thank you for your testimony. [LB959]

JASON HAYES: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

TIM ROYERS: (Exhibit 9) Thank you. Good afternoon, Senator Sullivan, members of the Education Committee, Governor Ricketts. For the record, my name is Tim, T-i-m, Royers, R-o-y-e-r-s, and I am the 2016 Nebraska teacher of the year. I am here today in opposition to LB959. While the potential for a nine-figure shortfall that LB958 would cause certainly concerns me, I'm also concerned that its sister bill, this bill LB959, fails to provide any measurable increase in state aid to offset that lost revenue and in addition makes the situation worse by placing further

restrictions on school districts, limits their general budget authority, and hinders their ability to plan prudently with a healthy cash reserve. This is not a plea for more state funding to help improve teacher pay. This is about giving us the resources that we need as teachers to do our jobs. And the kind of budget restrictions and growth allowances hits that LB959 puts into place severely hinders the ability of districts to give us the tools we need to be successful. In the last ten years, we have gotten a lot better at providing formalized support services to our students. We have more students of all ability levels taking Advanced Placement classes. Every year we get better about integrating technology into our classroom. We serve our kids much better than we did a decade ago, but we are also expected to do a lot more than we were ten years ago. In an ideal world, as our expectations for education increase--and they should increase--we would have fewer classes and hire more faculty members to compensate for this. But sadly we're moving in the opposite direction. Many districts simply eliminate positions through attrition to meet their budgets. And everything looks good on paper. You don't hear about teachers losing their jobs through RIFs. But silently for the rest of us, our class sizes go up as there are fewer of us to teach the same, and in fact in my school's case, more kids. Teacher burnout is a thing. It's a documented, psychological effect that teachers feel, and it has devastating consequences for the faculty as a whole. I know that other public entities and certainly the private sector deal with times of reduced funding. But for others, that might mean slower responses to a phone call, maybe a less...not as high of a quality of a product. But our customers are right in front of us and they are kids. And as teachers we will not let them down because we know that we might be the only part of their life that keeps them going. And certainly, if my class size continues to go up and the support staff in our building goes down, I'll still get my job done. But this all eats at us. I try and preserve my time to simply visit with my students because one of the kids that I chat with frequently this year attempted to take her life last year and I was the only one that noticed anything and contacted the guidance office. My fear is not that budget restrictions mean less pay. My fear is that it means I don't have time for those students. This is where budget restrictions come in. You might see a district eliminate its elementary music program and say, well, it's all right because they still have music at the higher level. But that doesn't just hurt kids. It hurts the teacher because now you've taken away plan time from the general education teacher at the elementary school. And don't think that I'm exaggerating. This would be the reality under LB959. Our negotiated agreement is one of the lowest in the metro at 3 percent total package. If most districts are capped at that 2.5 percent general fund growth, you can see pretty clearly what will have to happen. You don't see a lot of the squeeze that I'm talking about because teachers take the hit in our personal lives. Last week, I was running at about three hours of sleep most nights trying to get grading done because we cannot and we will not let decisions like these impact our kids. But we all have breaking points and we're losing some of our best. The proposals in this bill will do more damage to teachers. And I know with full certainty that LB959 was put forward with the best intentions, but I felt that the teachers' voice, my voice, was not taken into consideration. Please do not advance LB959. I'll address any questions that you may have. [LB959]

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SENATOR SULLIVAN: Thank you, Mr. Royers. What do you teach? [LB959]

TIM ROYERS: I teach high school history: AP World History and AP European History. [LB959]

SENATOR SULLIVAN: Well, congratulations on your award. [LB959]

TIM ROYERS: Thank you. [LB959]

SENATOR SULLIVAN: I'm sure that your students truly benefit from your teaching. [LB959]

TIM ROYERS: Thank you. [LB959]

SENATOR SULLIVAN: Any questions for him? [LB959]

SENATOR KOLOWSKI: Just for clarification... [LB959]

SENATOR SULLIVAN: Yes. [LB959]

SENATOR KOLOWSKI: What school did you graduate from high school? [LB959]

TIM ROYERS: I graduated from yours, Dr. Kolowski, (laughter) Millard West. [LB959]

SENATOR KOLOWSKI: What school was that, please? [LB959]

TIM ROYERS: Millard West. [LB959]

SENATOR KOLOWSKI: Thank you. And where do you teach? [LB959]

TIM ROYERS: Millard West. [LB959]

SENATOR KOLOWSKI: Thank you very much. I had a third question, but I'll stop. [LB959]

SENATOR SULLIVAN: Any other questions for Mr. Royers? Again, congratulations and thank you for your testimony. [LB959]

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TIM ROYERS: Thank you. Thank you for listening. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

TROY LOEFFELHOLZ: (Exhibit 10) Thank you. Thank you, Senator Sullivan. My name is Troy Loeffelholz, T-r-o-y L-o-e-f-f-e-l-h-o-l-z, and I'm superintendent of Columbus Public Schools and I'm here to represent the 26 members of the Greater Nebraska Schools Association. The GNSA schools are responsible for over two-thirds of our students in the state; 209,000 of the 307,000 students go to GNSA schools. That also equates to two-thirds of the special education students and two-thirds of our poverty kids in the state. I'm here to testify in opposition of LB959, and will focus on the general premise that LB959 restricts school spending and limits the ability of local school boards to make decisions that are in the best interest of their respective students and school district. Several organizations and individuals have painted a picture that spending is out of control by local districts. I think you've heard today already about the annual growth rate of 3.5 percent. But during the same time enrollment has increased by 8.16 percent from 284,181 students to 307,398. In addition, children living in poverty statewide has increased from 33.93 percent to 44.93 percent which has resulted in many school districts adding extra expenses of before and after school programming as well as expanded summer offerings and interventions within the school day. Some of the things that we're concerned about obviously is the qualified capital purpose undertaking fund. And I don't want to reiterate what you've heard already this afternoon. And we've also talked about the maximum levy...the GNSA schools are at their maximum levy and to take care of these facility issues would require us to pull funding away from other components within our budget. We also oppose that LB959 would end exclusions to the calculation of the school district budget authority. And I think Senator Schnoor asked a good question about, yes, you do tax more. And I will give an example of Columbus Public Schools. Columbus Public Schools this year will lose \$577,000 in state aid funding. With the CIR and teacher negotiations, that adds another \$686,000 to that number. So now we are at \$1.3 million that we have to find within our current budget. We are...our board of education has approved a temporary early retirement incentive program. Yes, we will tax an additional 2 cents. But what that does is it creates, under our general fund, an additional \$400,000 in revenue that we can put towards that \$1.3 million that we are losing. Columbus Public Schools is an equalized school district and over the last five years has seen a \$2.8 million reduction in state aid in 2011, and then like I said before, another \$577,000 in 2016. I find it hard to believe a school district, and there's many our size across the state, being equalized school districts, we're seeing reduced funding on an equalization formula through the equalization formula. So with the passage of LB958 and LB959--and you have the data in front of you--Columbus Public Schools could stand to lose another \$228,000 with no ability to raise their levy because we're already maxed out at \$1.05. Thank you. [LB959]

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SENATOR SULLIVAN: Thank you, Mr. Loeffelholz. Any speculation or conversations with the department as to what's going on within your district that has resulted in your loss of state aid? [LB959]

TROY LOEFFELHOLZ: We have. We've been in contact with Bryce Wilson at the Department of Education. Part...we lost a million dollars in our poverty allowance this year not because we didn't apply for that and put in our funding formula within our data. Our data asked for \$2.3 million in poverty funding but now that they've changed how they calculate poverty allowance through the Department of Revenue, it was a reduction for Columbus Public Schools and that was the reduction of the \$577,000 this year. The \$2.8 million was in response to the ARRA funding when back between 2008, 2011, districts were told to save money. And then when that ARRA funding was cut, then everything else...the money was not replaced to the level it was in 2008. [LB959]

SENATOR SULLIVAN: Okay, thank you. Any other questions? Thank you for your testimony. [LB959]

TROY LOEFFELHOLZ: Thank you very much. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

COREY STUTTE: (Exhibit 11) Thank you. My name is Corey Stutte, C-o-r-e-y S-t-u-t-t-e. Senator Sullivan and members of the Education Committee, I'm a Hastings Public School Board of Education member and I'm an appointed legislative liaison for my board. I'm here to testify and represent my board and district. I am the owner of my own company, Strategic Pioneer; a board member of the Hastings Area Chamber of Commerce; and I'm a property owner within the district. And I'd like to thank you for providing me with this opportunity today. While my board appreciates Governor Ricketts' and Senator Sullivan's effort to reduce property taxes, LB959 misses the mark and should not be made into law. It misses the mark because it is based on a faulty premise. That premise is that our property tax problem is a problem created by the schools in spending too much, when in reality, property...when in reality, overreliance on property taxes for schools is a state policy problem exacerbated by an overheated agricultural land market and the lag time between that market and responsible adjustments in property tax levies by local entities that are blessed with such property. Tying the hands of all local boards of education even further than they are now, as proposed by LB959, would not make this problem go away. The residents of HPS pay a combined levy of \$1.32 per \$100 of assessed property value. While this levy is high, the district has consistently maintained \$1.05 levy per \$100 of assessed value for more than a decade. This has been maintained despite our property value growth average of only 1 percent per year over the past 20 years and our average growth in

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expenditures over the last 5 years of only 1.3 percent per year. Over the last five years, my district has periodically used deficit spending, reduced staff, leveraged ARRA funding, shifted cost, outsourced services, and we've done all that to keep taxes for HPS residents as low as possible. I think I've handed out the picture of HPS's financial history of the past five years to you for your consideration. While we don't deny the need for property taxes, our community is not blaming this on our schools. In fact, I think Hastings businesses and manufacturers would argue that now is the time to be investing more into PK-12 education. They would make this argument because they know the need for skilled workers and knowledge workers in the near term is going to reach a crisis level when baby boomers continue to retire over the next ten years. They've clearly demonstrated their position by putting their money into education. Over the past couple years, the Hastings Area Manufactures Association, Hastings Economic Development Corporation, banks, and others have contributed approximately \$250,000 in private funds to help improve our advanced manufacturing program and career pathway. While I'm sure every one of these entities would love to see their property taxes reduced, they don't appear to want that at the cost of PK-12 education at Hastings Public School District. Thank you very much for your consideration of this testimony. I'm happy to answer any questions. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Stutte. With respect to LB959 and its impact on Hastings Public Schools, like the limitation on the 2.5 percent budget growth, do you think that would be a problem for Hastings Public Schools? [LB959]

COREY STUTTE: It would, it would. We...you know, I don't have the numbers in front of me on what the impact would be. I've had conversations with our administration. It would be a very...it would have a large negative impact. [LB959]

SENATOR SULLIVAN: So you think your budget grows more than 2.5 percent in a year's time? [LB959]

COREY STUTTE: Well, as you can see, we don't. But I think that we are looking at the overall package of some of the other bills that are out there as well and we are concerned with what's going on. [LB959]

SENATOR SULLIVAN: What about the amount of limitation on the amount you can put in reserve, do you think that would negatively impact you? [LB959]

COREY STUTTE: No, I don't believe that would negatively impact us at this point. [LB959]



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SENATOR SULLIVAN: Okay. And what about and use budget authority, do you think that would be a problem, limiting that to only 5 percent? [LB959]

COREY STUTTE: I don't believe so. [LB959]

SENATOR SULLIVAN: Okay. Thank you very much. [LB959]

COREY STUTTE: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

VIRGIL HARDEN: (Exhibit 12) Good afternoon, Senator Sullivan. My name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n. I'm the executive director of business for Grand Island Public Schools here representing GNSA and Grand Island Public Schools. For the sake of brevity, you've already heard some GNSA testimony from Dr. Loeffelholz. So I'm going to start off with asking a couple rhetorical questions. Does the committee know about Grand Island Public Schools's Career Pathways Institute? Does the committee know about the community and school district partnerships that were required to be established and maintained to make that project happen? Well, with LB959, Grand Island Public Schools wouldn't have brought anything to the table to make that project happen. We would have had to double dip. We would have to ask our patrons for support of a specific project. And then we'd have to go back and ask them again to help contribute the over \$2 million that they put into the project for equipment and start-up costs for a project such as the Career Pathways. We developed the vision, then we applied district resources in the forms of a federal grant to make the complex ADA compliant--the general fund, special building fund, and the QCPUF fund--before we asked the community for the additional support. So I do know the answer to my question because I've heard Governor Ricketts speak about our Career Pathways program as a model for the state during our January GNSA meeting. Forget about the types of risky, expensive, and innovative programs like Career Pathways at Grand Island Public Schools if LB959 comes into state statute, especially because of the elimination of the QCPUF fund. Another area about LB959 that's of concern is that limit of 5 percent growth on cash reserve. I want to tell you a story about Grand Island Public Schools 16 years ago when I took the position that I'm in now. I was shocked to find that that district had at that time limited their cash reserves to less than \$400,000. At that time, the school district had a budget of probably \$65 million to \$70 million. They literally were one year away from being bankrupt. And so a school district may find itself in that position because of prior boards, prior administration that did certain things. A new administration comes in and they have to deal with that situation. So at a minimum, LB959 should be amended to allow for an exception to that rule, maybe something where they would apply to the NDE for a year-to-year exception to that kind of limitation, because there are those anomalies, there are those unfortunate situations because

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maybe full and complete information wasn't known by a prior administration or board and they need help, they need to grow more than that 5 percent. So with that, I will conclude my testimony. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Harden. So what does Grand Island Public Schools typically put into reserve on an annual basis as a percent of your budget? [LB959]

VIRGIL HARDEN: Well, there is no typical. I've gone everywhere from \$3 million in one year to taking \$4 million out in one year. [LB959]

SENATOR SULLIVAN: And what percent of the budget is that? [LB959]

VIRGIL HARDEN: Well, it would be anywhere from 5 percent to 10 percent. [LB959]

SENATOR SULLIVAN: Okay. All right. And in terms of 2.5 percent budget growth, how does that impact Grand island Public Schools? [LB959]

VIRGIL HARDEN: That's actually one of the scariest parts for a district like Grand Island. We have 68 percent of our student body that qualify for free or reduced price meals; 57 percent qualify for free price meals. We have a large special ed co-op program where we end up attracting parents with special ed needs into our school district, which is fine. But our growth can't be confined by 2.5 percent, because the needs of our students do not confine to 2.5 percent. It is the needs of the students that drives our spending. There's nobody in Grand Island Public Schools, in our board or our administration, that says let's just go spend more money because we can. We spend the money to meet the needs of our children, and 2.5 percent does not cut it. [LB959]

SENATOR SULLIVAN: Thank you. Any other questions? Senator Baker. [LB959]

SENATOR BAKER: Thank you, Senator Sullivan. Mr. Harden, what do you consider to be an adequate cash reserve level for a school district? [LB959]

VIRGIL HARDEN: Well, that's a great question. I have, throughout my entire career, had different answers and responses, but I've come to believe after 25 years of doing this that the heuristic, rule-of-thumb model should be three months of operating expenses for any public entity. And that is necessary for a number of reasons: everything from being able to capture a good bond rating when you do have to go to a bond, just to manage the ebb and flow of a district like ours where we rely so heavily--60 percent of every dollar we spend is state resources. So we

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have to be able to manage the ebb and flows of cash...of TEEOSA changes with cash reserve. The amount of money that we invested in the Career Pathways Institute was a massive amount of dollars that was a one-time start-up expense, as we had to build up cash reserve and then spend that back down. So there's a number of reasons why, but I am convinced, like I said from my experience, that the proper level that any public entity should have is three months worth of operating expenses. [LB959]

SENATOR BAKER: A couple more questions, if I may. So in your early years in Grand Island Public Schools when you came in with a...found they had like a \$400,000 cash, were you--the district--doing a lot of heavy borrowing for a number of years? [LB959]

VIRGIL HARDEN: We did not have to borrow. And I'm going to use a phrase that I'm not real proud of but unfortunately 16 years ago was the truth: we stacked them deep and we taught them cheap. We...the gentlemen that came up and talked about the impact on the teachers, absolutely, 100 percent what ends up happening is the district gets put into a corner financially that they can't expand their expenditures, they can't do anything more on the revenue. And what happens is that burden of that classroom size, of the support staff and all the different pieces and parts that make up a good quality education just get squeezed to almost a breaking point. And so for the...just to coincide it, I was there just a year prior to Dr. Joel coming. And the first three years of his superintendency, we literally didn't spend any additional money. We reserved...we spent...we put it into reserve because we just couldn't operate. We were going to have to go and do tax anticipation notes or borrow for payroll if we didn't just control spending, so that's what we did. And it took us years to get out of that situation. [LB959]

SENATOR BAKER: You suggest an amendment that would allow a school district that finds itself with no cash reserve or very low cash reserve to apply for an exception. Do you have a figure in mind? If they're below, what, 10 percent, 12 percent, they could qualify? [LB959]

VIRGIL HARDEN: I'm going to fall back on my three-month rule. [LB959]

SENATOR BAKER: Okay. [LB959]

VIRGIL HARDEN: If they're below two months that they would be allowed to. So if you look at their...just take their annual financial report the year prior, and if they have less than one-sixth of that balance, then they would be allowed to apply to, if they needed to have more than 5 percent added to their cash reserve in any one year. And it would kind of almost be more like a, you know, just something that would be automatically approved as long as it was below that. And I think once you get between the 2 percent and the 3 percent, you're well on your way to kind of having the mark that you need to be at. [LB959]

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SENATOR BAKER: Okay. Thank you. [LB959]

SENATOR SULLIVAN: Any other questions? Senator Kolowski. [LB959]

SENATOR KOLOWSKI: Thank you, ma'am. Mr. Harden, thank you very much for your testimony again. I wanted to ask you and congratulate you also on the Career Pathways that you're... [LB959]

VIRGIL HARDEN: Thank you. [LB959]

SENATOR KOLOWSKI: ...successfully implementing and putting into place. There is start-up costs, of course, that are exceeding a regular classroom situation and regular student expenditures. But once those programs are up and running, are there also additional costs then built into the programs that take it a little more than a regular...whatever a regular you translate as? [LB959]

VIRGIL HARDEN: We've only been operating the Career Pathways for two years now, and I would tell you that it's basically a 30 percent upcharge. The cost to run...you know, we have \$400,000 CNC machines. Those are not...so if you have a drive on that go bad, it's not a couple hundred bucks, Senator. It's \$3,000. It's \$7,000. And that might only be used by 60 students, you know, kind of thing. So the cost proportionate to any other program are at least 30 percent higher. So if we're spending \$10,000 per pupil in a regular education, we're going to spend \$13,000 to educate the kids that are in our Career Pathways. Quite honestly, I think that's an appropriate, okay expenditure to make because we're trying to capture kids that are at risk of dropping out. We're trying to capture kids that are going to go right into the work force and be a productive part of this community, of the state of Nebraska economic development. And that's why our business community bought in and so heavily into that, because they saw that we were going to put in those resources and they're going to get a direct benefit very quickly with those students. [LB959]

SENATOR KOLOWSKI: Thank you. [LB959]

SENATOR SULLIVAN: Any other questions? Thank you, Mr. Harden. [LB959]

VIRGIL HARDEN: Thank you very much. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

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CONNIE DUNCAN: Hello. My name is Connie Duncan, C-o-n-n-i-e D-u-n-c-a-n. I'm a member of Lincoln Public Schools Board of Education. Many of you in the past have also dedicated your time to serving on boards of education. I thank all of you for your dedication to public education. Last May, the voters elected me to the LPS Board. My first months in office were heavily focused on budget development. I take board work very seriously, constantly working to serve as a good steward of taxpayer dollars. I balance that work with a constant ear to the needs in our schools. During the 2015-16 school year, I set out and I have visited every school in our district--all 61 schools. And each school, I paid particular attention obviously to the education of our students, as well as our buildings. I'm a contractor's daughter. If my father were here, he'd be in the back of his overalls hopefully with a shirt on. I'm very familiar with the needs of our buildings. LB959 eliminates our ability to utilize the Qualified Capital Purpose Underwriting Fund. The QCPUF fund provides 5.2 cents of levy that could be used for a narrow window of capital projects. They include mold abatement, coming up to code with ADA requirements, and asbestos removal. As you heard from the description, these projects are in response to the safety needs of students. Unlike large bonds issues for which we are required to obtain a vote of the people, this levy authority allows us to be very quick and responsive to these safety needs whether as standalone projects or as part of larger projects. LB959 would require our board to either spend hundreds of thousands of taxpayer dollars to hold a special election or thousands of dollars to add to a scheduled election. And most importantly, because we're talking about the health of our children, it would delay our ability to respond to these types of safety, code, and wellness concerns. My colleagues and I on the LPS Board are very conscious of our levy and we are proud of the quality of education that Lincoln Public Schools provides. We're also proud that we are one of the lowest spending school districts in the state, spending \$1,000 less than the state average spending per student and currently having our lowest property tax in over 40 years. I would welcome any questions. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Duncan. With respect to the QCPUF dollars, do you know how much levy authority Lincoln Public Schools has used for that purpose? [LB959]

CONNIE DUNCAN: And I have to tell you with being only on here six months, and I'm sure you can relate to that as well, that is something that I'm working on learning all of those things. [LB959]

SENATOR SULLIVAN: Okay. [LB959]

CONNIE DUNCAN: I would hate to just say something which it might be right but it might not be. Dr. Standish will be up here after me and I'll refer all questions like that to her. [LB959]

SENATOR SULLIVAN: All right. Very good. Thank you. Senator Pansing Brooks. [LB959]

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SENATOR PANSING BROOKS: Thank you, Madam Chair. I just want to thank you for your service, Ms. Duncan, not only the things that you mentioned, but you were also a teacher at LPS I know for a number years. [LB959]

CONNIE DUNCAN: Seventeen. [LB959]

SENATOR PANSING BROOKS: Seventeen. And also just recently co-chaired the last bond issue for LPS. So your service has been amazing and I know you have as much passion for the public schools as I do. Thank you. [LB959]

CONNIE DUNCAN: Thank you very much. [LB959]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. [LB959]

SANDRA ROSENBOOM: (Exhibit 13) Hi, 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. Senator Sullivan, Education Committee members, since many people are testifying on LB959, I'm going to concentrate on two aspects of the bill: needs stabilization and limits on cash reserves. First, on needs stabilization, the bill lowers the growth in state aid from the current maximum increase of 12 percent down to 5 percent, with an exception for the growth in number of students. But there's no exception for the growth in the needs of students. If a district has at least 25 or more students, their aid can go up more than 5 percent. Our district typically grows but at not 25 students. It grows around 20 students. And we have an increase in the students' needs to learn English and/or deal with an increased poverty. No exception is given for those growth in needs. This limit also fails to recognize the additional costs of opening a new school. Under the current formula, Crete qualifies for increase in state aid for two years to help defray the cost of operating the additional building and working that into our budget. Lowering the limit to 5 percent will result in a loss of that state aid we need to open this new school. On limiting the growth in the cash reserve to 5 percent of the restricted budget, this is a provision that limits the ability of the district to manage downturns in the economy and plan ahead for large expenses. This limit may actually increase costs. Our board insists on keeping 25 percent of the budget in cash reserve. As a result, taxes do not need to be raised during the past recession. After the recession though, we added back to the cash reserves to get up to our 25 percent goal. Cash reserves, as you know, includes the depreciation fund. Twice in my 20-year business career, school business career, the proposed 5 percent limit would have hampered our ability to prepare for the opening of these new schools. As we planned the new buildings, unspent funds at the end of the previous school year were transferred to the depreciation fund, and these extra funds allowed us to keep furniture and equipment purchases for the middle school in '04 and the high school in 2015 out of the bonds. This allowed for smaller bonds to be passed, saving taxpayers' interest. We also weren't paying

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interest on 25 years for equipment that doesn't last that long. Small districts also use the depreciation fund to budget for two or three years for large purchases like buses. There are already limits on the size of the cash reserve. These particular growth limit would only take away the flexibility the districts have to manage taxpayers funds effectively. Thank you. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Rosenboom. You talked about the needs of your students increasing and not being accommodated for with the limits that we're putting on...potentially on needs stabilization. But if those are ELL students or poverty students, how much of those would be covered under the allowances? [LB959]

SANDRA ROSENBOOM: They're covered or the allowances, but the way I read the needs stabilization, all of those things would fall under it. So if we had an increase in all these different things that are allowances, we would not be able to access that additional state aid for those needs because you've capped it at 5 percent growth. [LB959]

SENATOR SULLIVAN: Okay. Thank you. Any other questions? Thank you. [LB959]

TERRY HAACK: Good afternoon, Senator Sullivan. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

TERRY HAACK: (Exhibit 14) Education Committee, my name is Terry Haack, Terry, T-e-r-r-y H-a-a-c-k, Superintendent of Bennington Public Schools. Many see reports suggesting Bennington has annual increases in state aid. There's no doubt. The untold story is student growth in our district has exceeded any increases in revenue. Over the last five years, Bennington has seen a 62 percent increase in student enrollment with only a 54 percent increase in revenue. This has the same effect as cutting a district's budget without the shocking headlines due to minimal growth. While per pupil costs have risen for many districts in the state, Bennington's per pupil costs have increased less than 1 percent annually and continues to rank at or near the bottom in cost per student across the state. Bennington appreciates that this bill recognizes growing districts, however, we do not believe it addresses all TEEOSA calculations associated with student growth. I'm sure most of you know, Bennington is one of the fastest growing districts in the state. Over the past decade, K-12 enrollment has increased 152 percent. From last year to the current school year, Bennington saw an increase of 180 students or 9.6 percent. The current TEEOSA formula allows for a growing district like ours to account for annual increases in student populations. TEEOSA funding is based on last year's data. Districts have the option of applying for a student growth adjustment that will be added to state aid. This application is due ten months prior to the actual students starting school. Currently, the state recognizes this is an estimated figure for calculating students and addresses such by adding in a student growth

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adjustment correction the following year. This correction could be added funds or it could be paying back if you miscalculate or misjudge. Section 2 of LB959 amends state statute by limiting the growth of formula needs for schools to 105 percent. Again, the key is adjustment and not the following year correction. I do not believe LB959 fully addresses the needs of growing districts by allowing the student growth adjustment correction related to the formula. I believe this is also true for new school adjustment as we have expressed for student growth. TEEOSA allows for districts to receive a two-year funding adjustment when they open a new facility due to growth. These state-appropriated funds are essential to a growing district that's maximized its general fund \$1.05. We simply do not have the revenue necessary to open these facility without affecting the education of children. In summary, we believe the legislation lacks specific language addressing each of these adjustments for growing school districts. Thank you very much. I'm happy to take questions at this time. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Haack. So in other words, do I understand you to say it's not necessarily that you're in opposition. It needs to be responded to more specifically on the student growth adjustment. [LB959]

TERRY HAACK: We are in opposition, yes... [LB959]

SENATOR SULLIVAN: Right, I understand that but... [LB959]

TERRY HAACK: ...mainly because we are a growing district, 105 percent. Keep in mind our annual growth over the last ten years in student population has been 9.3 percent. Thus our budgets must grow at that level or slightly below, as they have. In the last ten years, our cost per pupil has risen a total of 7.1 percent; that's what I mean by less than 1 percent per year. So even though we're not cutting, we're not RIFing, we're certainly not adding the programs necessary to keep building on. [LB959]

SENATOR SULLIVAN: So...but you're saying that even with the student growth adjustment, that still does not accommodate your needs? [LB959]

TERRY HAACK: Correct, we do not see language. As I said, the student growth adjustment is for the next year, so ten months out we project what that is. We have been conservative in our projections because if we overestimate, rightfully so, state aid recalculates and we have to pay back that money. So we underestimate and then the following year we receive a correction for those students we did not count in that formula. We do not see a language that addresses the corrected state aid that goes along with that. Our fear is, as the language is written, it accounts for the student growth adjustment but does not account for the correction the following year. [LB959]



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SENATOR SULLIVAN: Okay. Thank you for that clarification. I appreciate that insight. Any other questions? Thank you. [LB959]

TERRY HAACK: Thank you. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

CONNIE KNOCHE: (Exhibit 15) Thank you. Senator Sullivan and members of the Education Committee. My name is Connie Knoche, C-o-n-n-i-e K-n-o-c-h-e, and I'm appearing on behalf of Omaha Public Schools in opposition of LB959. OPS is opposed to LB959 for many of the same reasons described by the other opponents. Given the time limits for this testimony, I'll focus on two specific areas. First, OPS is the only district in the state which must make additional required contributions to a retirement plan. Since 2003, OPS has made additional required contributions in excess of \$29 million. This is an expense that no other district has. However, under LB959, those payments would be excluded for the purpose of calculating budget authority for the following year. Second, the calculation of budget authority in the bill provides that the budget authority would be the prior year's GFOE multiplied by the basic allowable growth rate of 2.5 percent plus student growth adjustment. And also the formula needs are limited to 105 percent of the prior year's needs plus a student growth adjustment. The fundamental problem with this calculation is that growth adjustment does not equal student growth. Under 79-1007.20, the student growth adjustment is calculated after excluding the greater of 25 students or 1 percent of the district's fall membership. So for larger district like OPS, which grows anywhere between 100 to 500 students per year, this would require OPS to absorb about 520 students a year with no increase in spending authority for those students. OPS is not unique among urban districts in this regard. For example, LPS had an increase in enrollment of 882 students this last year. Their total enrollment is 39,948, so 1 percent of that would be 399 students wouldn't be counted and you'd be responsible for those students under the 5 percent growth limitation in your needs. In some districts, including OPS, the enrollment in growth is primarily high-needs students such as those in poverty or English-language learners. So you may student growth, but it's in a population of students like poverty or ELL. And when you cap the growth on needs to 105 percent, you're not taking into account the needs that are already calculated in the formula as an allowance. That exacerbates the problem. Thank you for the opportunity to speak today. And I'd be happy to answer any questions that you have. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Knoche. Are there questions for her? Thank you for your testimony. Welcome. [LB959]

PAUL ILLICH: Thank you. Good afternoon, Senator Sullivan and members of the Education Committee. I'm Paul Illich, P-a-u-l I-l-l-i-c-h. I'm the president of Southeast Community

College. And as you've heard, the focus of LB959 has been school districts, but it also would have an impact on community college. So that's what I'm going to speak to that this afternoon. So community colleges have a unique mission of providing open access to both career and technical and academic transfer programs. We're very fortunate in Nebraska. Community colleges have three sources of revenue--and we have student tuition and fees, we have state appropriations, and we have a local tax levy. We have 11.25 cent total tax levy limit. Of that 11.25 cents, we're allowed to use 2 cents for capital. Right now in Nebraska, there's two very pressing issues that community colleges are perfectly poised to address. One is creating a qualified and maintaining a qualified work force in the career and technical and many other fields. The other one is providing an affordable option for a four-year degree. Southeast Community College and many of the other colleges are transforming their facilities and modernizing in order to address these needs. All of the community colleges in Nebraska have elected board members. We...Southeast Community College has 11 elected board members that approve all capital projects. LB959 would require a vote by residents of the community college service area for the use of revenue regardless of the size of the project. The specific statute...the change to the statute that relates to this refers to the bonds as revenue bonds; it refers to I think it's 85-1520 to 85-1527. So right now we have a 2 cent total capital...2 cent levy that we can associate with capital, that has to deal with all of our capital needs. So the revenue bonds, having that ability to use the levy to retire bonds, really stretches that ability to meet all of our capital needs. So we already have a statute, 85-1515, for larger projects which requires a vote. So this would be bringing really potentially very small projects which will require a vote. So in closing, you know, I really see this as a time to fully invest in community colleges and to give the local boards all the authority to ensure that we're meeting those local...meeting the needs for the career and technical work force, as well as creating an affordable option for a four-year degree. I'll take any questions that you have. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Illich. Any questions for him? Senator Groene. [LB959]

SENATOR GROENE: Has your tuition gone up over the last ten years? [LB959]

PAUL ILLICH: Yes. [LB959]

SENATOR GROENE: How much? [LB959]

PAUL ILLICH: Over the last ten years, I can't give you a percentage off the top but it's probably gone...right now it's \$90 per semester credit hour but we've kept it extremely affordable obviously as a result... [LB959]

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SENATOR GROENE: Because I was wondering, because I'm looking at the history of your property tax levied by local governments, by community colleges. Since 2004, I only have through '14, the last ten you went from \$83.3 million to \$185.2 million. You guys have increased, you're asking 127 percent. Now that's a little more above inflation and enrollment growth. That's what the taxpayers are concerned about. I'm just curious if you went...tuition up and you've got more state aid and you've got...we're concerned that you guys know how to manage money. [LB959]

PAUL ILLICH: Yeah, I think one of the things, that's why we have a local governing board. We have 11-member board that represent the local, and what I really want to stress is that what LB959, that particular section, would do for community colleges would absolutely remove that ability to basically anytime we have a...we would have a situation where we would have to utilize revenue bonds, we would have to go to a vote of the people. And as I mentioned, we already have in statute.... [LB959]

SENATOR GROENE: You just bragged about it's a local elected board. The same people would vote to see if they wanted to give you revenue bonds, wouldn't they? You trust them to elect the right people but you trust them to give you the revenue bonds when you need it? [LB959]

PAUL ILLICH: No, they do have that authority right now that... [LB959]

SENATOR GROENE: Then they could, doesn't the law allow you to go to the people if (inaudible)... [LB959]

PAUL ILLICH: No, this...well, they can now. This...yeah, exactly. So they can right now. This, the way it's written right now, this would remove the local governing boards out of that decision. It would have to go...any revenue bond of any size would have to go to a vote of the people within that service area with the way LB959 is currently written. And that's what the community colleges are really concerned about, because many of the colleges have been using that authority to stretch that 2 cents. It's only 2 cents. So really to modernize your facilities, having the ability to borrow some of that money and pay it back with that 2 cents allows us to stretch our ability to address immediate capital needs. [LB959]

SENATOR GROENE: Thank you. [LB959]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. [LB959]

PAUL ILLICH: Thanks. [LB959]

SENATOR SULLIVAN: Welcome. [LB959]

LIZ STANDISH: (Exhibits 16, 17) Good afternoon, Senator Sullivan and members of the Education Committee. My name is Liz Standish, spelled L-i-z S-t-a-n-d-i-s-h. I'm here testifying in opposition to LB959 on behalf of Lincoln Public Schools where I serve as associate superintendent for business affairs. I think one thing we'd like to point out in this testimony, which might be a new conversation, is that LB959 doesn't delve into the intricacies of the formula very much. It really approaches its provisions as an overlay provision. And so we want to highlight that the essence of the formula is equalization. And so as you put overlay provisions on top, we'd like to keep an eye on that function of equalization and how that impacts schools. If you were to put all the school districts in the state in a spreadsheet and you were to say how much capacity do they have at the maximum levy of \$1.05 based on their value, you would see the very vast differences that we're talking about today. Lincoln Public Schools has access to \$5,000 per student at \$1.05. The state average is \$16,000. The highest school district the state is close to \$60,000. So this is very vast, very complex. Your work, our work is very hard and challenging as you're navigating and traversing that spread of school districts throughout the state. So the overlay provisions, we want to make sure we underscore that equalization stays center. I'd like to also address the spending authority. Spending authority based on student need came into play in 2008, LB988. That was in direct result to school districts with rapidly changing student demographics and the fact that they were not able to keep up with student needs on the incremental, budget-based method. Looking at the 2.5 plus the student growth adjustment, the only provision of that that would make it work for Lincoln Public Schools is the access to unused budget authority. So with the 5 percent access to unused budget authority-- based on our reading, which is not the official calculation, so I say this with caution, because we would want to confirm with NDE's calculation--we think the access of 5 percent to unused budget authority in our case, which would be close to \$15 million in any given year, would then make the provision workable, but only until that unused budget authority is gone. And then also considering there's options on the table later today about striking unused budget authority, it makes us very uncertain about the future to meet our changing population. I'd like to highlight the student stabilization needs. Lincoln would have experienced a \$7.1 million lop off last year. This is because the 105 percent plus student growth, we had increases in formula students by 1,055, poverty increased \$1.6 million. Special receipts, which is an interesting one to think about, increased \$2.3 million; and new school, \$800,000. So when all of those needs compound, you exceed the 105 percent, and adding the student growth adjustment doesn't get us there. So we were above that calculation. Qualified capital purpose undertaking fund, to directly answer the question of our school board member Connie Duncan, we are at 3.4 cents. And I think that it's been well articulated the purpose of that fund and what it's been used for. I provided you a levy history. Our board has worked hard and reduced our levy 7 cents in the last ten years. [LB959]

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SENATOR SULLIVAN: Thank you, Dr. Standish. Explain what is included in special receipts for your situation. [LB959]

LIZ STANDISH: That's a tricky one to explain, because it has to do with what's reported on your AFR, as far as expenditures for special education. And it does have a lag to it. So your special receipts allowance, there's a combination of lines from your annual financial report that then drive that allowance. So if you've spent more on special education students, then your allowance would get bigger. So that's one other complexity of student need that would then put you up against the \$1.05. The \$1.05 is just simply too tight for needs stabilization for school districts with changing students and growing student needs. [LB959]

SENATOR SULLIVAN: One hundred five percent, is that... [LB959]

LIZ STANDISH: Correct, yeah. [LB959]

SENATOR SULLIVAN: Okay. All right, very good. Any other questions? Senator Groene. [LB959]

SENATOR GROENE: I remember seeing an article in the paper. You guys gave 4, 5 percent raises. You're the highest pay scale in the...for certified staff in the state: \$40,000 beginning, \$80,000 the top of it. You had an extra \$10 million with the present system. Instead of giving a tax break, you stuck it in the reserves. Joel got \$25,000 annuity because his \$200,000 retirement wasn't enough for him. He got a \$21,000 raise. That's what the taxpayer sees. They don't see handicapped children not getting enough care. They're seeing where the money actually went. [LB959]

LIZ STANDISH: Recent settlement packages have been more in the 3 percent range. The annuity, as the article said, was based on Dr. Joel coming to work and there was a performance system put in place based on our strategic plan. I'll address directly the \$10 million in the cash reserve last year. In Lancaster County, we run on a three-year assessed valuation model. So every third year, the entire value--market value adjustment--is made in the community. Last year was one of those years. So we saw a 6 percent increase in our assessed valuation. That will result in what we're estimating to be and is being confirmed by the January models by the board of...by the Department of Education, released in January, a reduction in state aid to our school district of \$1.6 million for next year. We will couple that with nonmarket-adjusted, only new building permit valuation growth. So valuation growth, looking at the budget we're developing for '16-17, could possibly grow 2 percent. And we're going to see a \$1.6 million reduction in state aid. We will be using cash to fund our budget for '16-17. We run under a three-year forecast model

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because of the way valuation is treated in Lancaster County. And we want every decision our board of education makes today to be able to fund it in future years. [LB959]

SENATOR GROENE: Do you know of any free enterprise occupation besides medical that's averaging 3 percent, 4 percent pay raises a year when inflation is 1 percent or 2 percent in the last decade? [LB959]

LIZ STANDISH: I wouldn't. I don't work in the private sector. And I know that I do hear of raises that are comparable to 2.5 percent to 3 percent. When you take healthcare cost, we're at about 2.8 percent. [LB959]

SENATOR GROENE: That's a question I had of you. What's your healthcare costs done, your premiums, in the last decade? [LB959]

LIZ STANDISH: They do increase. [LB959]

SENATOR GROENE: Have they been increasing at 20 percent, 30 percent like some of the... [LB959]

LIZ STANDISH: There has been years where it's been more rapid. We are part of a statewide network which softens that a little bit. But there are years where it's been very rapid increase. This year I believe was a 6 percent increase. [LB959]

SENATOR GROENE: Since Obamacare, have you changed the deductibles or copays because the free enterprise folks have all had a big jump in deductibles and copays? Has that happened in education? [LB959]

LIZ STANDISH: The decisions related to the offerings for healthcare are made by the Educator Health Alliance. We're a member of that. That's a statewide network. And so that does change how we look at deductibles. Deductibles have increased, out-of-pockets have increased. [LB959]

SENATOR GROENE: That's good news. Thank you. [LB959]

SENATOR SULLIVAN: Senator Morfeld. [LB959]

SENATOR MORFELD: Thank you for coming in today, Ms. Standish. As a taxpayer in the Lincoln Public Schools, unlike my colleague to the left of me, I appreciate the fact that you pay

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teachers living wages and that you offer competitive salaries for the hard work that I know that they do. In terms of the \$10 million, how much of a reserve do you have at Lincoln Public Schools? Or what your standard reserve that you try to aim for? [LB959]

LIZ STANDISH: Being one of the larger school districts in the state, we actually have the lowest allowable reserve percentage, which is 20 percent. We are on slightly below that, but that does include our depreciation fund. So that would not only be our general operating reserve--which three months of pure salary would be \$60 million. So we are below the 20 percent which is the state required. [LB959]

SENATOR MORFELD: So you're at how much? How much do you have in reserve? [LB959]

LIZ STANDISH: Nineteen percent would be the state calculation, based on our uniform budget document. [LB959]

SENATOR MORFELD: Okay. [LB959]

LIZ STANDISH: But that includes the fund balance in our depreciation fund, which is set up for large equipment purchases. So I would say we'd be closer to that 15 percent for general operating. [LB959]

SENATOR MORFELD: And how much is 15 percent in dollar amount about? [LB959]

LIZ STANDISH: You're comparing to a general fund budget of expenditures when you include federal funds, special education, a general fund of \$433 million. So that \$60 million would be right at that 15 percent range. And we're slightly higher than that now because we planned for the teetering between assessed valuation and the state aid reduction. [LB959]

SENATOR MORFELD: Okay, and I just ask that question because \$10 million seems like a big number. It is to some school districts and it still is a big number, actually. But in terms of what you want to be at a responsible operating reserve, it's actually about one-sixth of where you need to be. [LB959]

LIZ STANDISH: Correct, correct. [LB959]

SENATOR MORFELD: Okay. Thank you very much for the clarification. [LB959]

SENATOR SULLIVAN: Senator Pansing Brooks. [LB959]

SENATOR PANSING BROOKS: Thank you for coming today, Dr. Standish. I just want to add I know that I'm harping back at the 2007 bond issue. And that was for \$250 million and then there were QCPUF funds that were added in top of that. I know you weren't here at that time, but it's my understanding it was nearly \$400 million that was ultimately injected back into all facilities across our whole city, and it touched every doorstep. Those were injected from about 2008 to 2011 I believe. And many people called it a way that we avoided the whole recession and our own little stimulus package in Lincoln. And clearly if that...we were very fortunate, because that bond issue passed right before that the recession hit, and that kept Lincoln building and that made and...from what I've heard, there's a multiplier of seven on those dollars that were spent. And so that helped keep Lincoln, and thus a good part of Nebraska, solvent. We weren't having the problems that the other states were having at that time. So...and I presume the same kind of story can be told with the most recent bond issue. [LB959]

LIZ STANDISH: You're exactly right, and thank you for your work on that. It's history I've studied and have been able to get to know. The numbers that have been referenced from the work that you were a part of in 2006-2007 was in any given month there was \$15 million of construction projects going on. That holds true today. There's about \$6 million right now going on in construction projects in supporting the Lincoln economy, which then in turn supports the Nebraska economy. And yes, there was QCPUF money. That's why I gave that 25-year history. I thought that told an interesting story of how a school district said, okay, as a building fund authority has gone away, let's look at where we are in QCPUF projects. Let's look at the needs of our facilities. Let's balance that with a voter-approved bond issue and create a path for the future. You told the story earlier of Pound Middle School and the leaking roofs. I'm very proud to walk through schools in Lincoln and not see the stained ceiling tiles and some of the things that causes concern in schools. My concern about the QCPUF fund and losing that as a tool is I hope we can still say that 20 years from now. I mean we take our work very seriously and are very passionate about serving kids all across the state, all of our colleagues do. [LB959]

SENATOR PANSING BROOKS: Thank you, and I also just want to add it's easy to say, oh well, we went to school and we made it before and we don't need to add these dollars. We are investing back in great buildings. Southeast High School had seven portables prior to that bond issue. We had a son who was walking outside every day to go to class, never going to his locker, so of course, in the middle of winter without a coat. So the things that have been done to renovate Lincoln High School and the schools across this district are fabulous. It's taking care of facilities that we have invested a lot of money in. And these are things that help us to continue to educate our kids and the growing needs that we have. So thank you very much. [LB959]



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LIZ STANDISH: Absolutely. [LB959]

SENATOR SULLIVAN: Any other questions for Dr. Standish? Senator Groene. [LB959]

SENATOR GROENE: Your depreciation fund, how is that determined? How much can you put into it? [LB959]

LIZ STANDISH: It's included in that 20 percent cap. So once again, as one of the largest school districts in the state, we're limited to 20 percent. That includes our general operating fund reserve and our depreciation fund, which would be a savings account for large equipment. Smaller school districts across the state can up to 50 percent. [LB959]

SENATOR GROENE: But what percent of the 20 percent can be put in the depreciation fund? All of it? [LB959]

LIZ STANDISH: I don't believe there's a requirement there, but I'd want to check. I haven't delved into that level of detail. We've never, as we're working through... [LB959]

SENATOR GROENE: But you can use that for new roofs, new remodeling projects, and things too, can't you? [LB959]

LIZ STANDISH: You cannot use it for things like labor. You could use it to buy the equipment to put in. [LB959]

SENATOR GROENE: Thank you. [LB959]

SENATOR SULLIVAN: Any other questions? Thank you. Welcome. [LB959]

DANELL SIMONS: (Exhibit 18) Good afternoon...evening. I'm Danell Simons, D-a-n-e-l-l S-i-m-o-n-s. I'm not an administrator, not a farmer, not teacher of the year yet. But I do come and speak on behalf of my colleagues today for South Sioux City Community Schools, where I've been teaching for 15 years. I'm here to testify in opposition to LB959, and want to focus on the general premise that LB959 restricts school spending and limits the ability of local school boards to make decisions that are in best interests of their respective school districts. First, with spending growth, several organizations, ranging from Farm Bureau to the State Chamber of Commerce have overtly painted this picture that spending by local school districts are out of control. Information taken from the Legislative Fiscal Office contradicts this belief and this

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information can be seen in the historical and current Nebraska K-12 data August 2015 report. The report from the Legislative Fiscal Office claims spending growth over the last decade has been the lowest in 30 years. In South Sioux City Community Schools--and you have the example too, found in the paperwork--we find that our growth in spending was 4.18 percent between fiscal year 2013-14 to '14-15 and considerably less than the 11 percent suggested by the Platte Institute. A question that has been posed by members of the Unicameral focuses on a rationale or reasons why growth in spending occurs. The most obvious answer is connected to the largest percentage of school districts budget: personnel. I invite you to also look at the schools and how this is involving special education. You have an example of the testimony found in the information also. The reduction in the growth of spending has occurred at the same time when state aid to schools has experienced a continued decline in annual growth rate. To illustrate this point, I'd like to compare annual growth in TEEOSA over a 20-year period. In '92-96, TEEOSA grew at only 3.8 percent. During this time, the income tax rebate grew at almost 10 percent per year, while equalization aid actually declined during that period. Also with QCPUF, as it has been mentioned earlier, \$1.3 million in the funds for several projects. To date, we've used the amount of \$600,000 to address three projects, including a fire alarm panel replacement, indoor air quality in our future career center, and security cameras. So with a growing and continuous concern, I do want to end today with I wasn't born a Nebraskan, I was born and raised in Nebraska. I was actually a farm kid too, I should mention. But I implore you today, as a teacher with the resources diminishing, I implore you on opposition of LB959. [LB959]

SENATOR SULLIVAN: Thank you, Ms. Simons. Any other questions for her? Thank you for your testimony. Welcome. [LB959]

KEN FOSSEN: (Exhibit 19) Thank you, Senator. I'm Ken Fossen, K-e-n F-o-s-s-e-n. I'm associate superintendent for the Millard Schools in Omaha. To make things quick, I'll say ditto to about everything that has been said. I think the only thing I have to add would relate to the Millard experience in terms of budget reductions, because we hear this is going to happen, this is going to happen. Well to Millard, it has happened. So let me just share with you what has happened for us and why. With...as you're aware, we had...a reduction in the teacher education allowance under TEEOSA, the instructional time allowance. Those two together were phased out over two years, amounted to \$5.6 million for us. In addition to that, at the same time we had a flattening of our property values. You've been hearing all the increases here but ours flattened out. And also our student enrollment growth, which was always over 1 percent, slid under that, so the impact of that was felt as well. So if I could kind of direct your attention to actually the last page, last figure. This is what has transpired in the Millard district over the last five years. And as you're looking at that, let me tell you that what we have done is we have eliminated teaching and administrator positions, we've eliminated staff support positions. We've reduced over time. We've reduced foreign language offerings, as well as the staffing related to that. We've been increased our self-insurance retention for liability insurance, as well as with workers comp,

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in order to save on premiums, we hope. We've modified our music program and reduced staffing there, as you heard the teacher of the year criticize just a little bit ago. We've delayed and reduced our curriculum adoption purchases. And of course, we also reduce travel and attendance at out-of-district conferences. As a result, you see the last figure, which says that over the past five years our total expenditures have increased on the average of 1.2 percent, whereas we grow a thousand students during that period of time. We've reduced 30 teachers. We've reduced one administrator. So realize that down the road, the more pressure you put on school districts, these are the kind of things that you can expect them to go through. And I know our board wanted me to comment on accountability as well. Accountability is one of those double-edged...double-sided coins. On the one side you have money, on the other side you have the programs. If you're going to advocate for programs, it's going to cost more money. If you want to reduce the money, you're going to have to reduce programs as well. And they believe that local spending is not out of control and that they are responsive to their constituents. So with that, I would take any questions. [LB959]

SENATOR SULLIVAN: Thank you, Mr. Fossen. Any questions for him? Senator Groene. [LB959]

SENATOR GROENE: Can I give you a statewide perspective, sir, of spending? In 2004, ten years ago, we spend \$1.9 billion in property taxes and state aid--\$1.9 billion. Ten years later we're at \$3.2 billion. So I had my staff run since beginning of TEEOSA, student growth plus inflation. And if that was the deciding factors, we'd be at a little over \$2 billion. So I keep hearing we only spent 1.5 percent more, 2 percent increase. How did we get from \$1.9 billion to \$3.1 billion? And I could go into special ed too, and how much that has increased. Where did that money go? [LB959]

KEN FOSSEN: I don't even know where your numbers came from so I guess... [LB959]

SENATOR GROENE: Well, it came from the Department of Education and the Fiscal Office. [LB959]

KEN FOSSEN: Then ask them. [LB959]

SENATOR GROENE: What's that? [LB959]

KEN FOSSEN: Then ask them, because I don't know. I can tell you Millard... [LB959]

SENATOR GROENE: It ends up in your pocket. The buck stops there. Where did it go? [LB959]

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KEN FOSSEN: It wound up in Millard? It did not wind up in Millard. I can assure you that money did not wind up in Millard, and the numbers that I gave you, you can verify by going to the annual financial reports from the state department. [LB959]

SENATOR GROENE: Well, I just seen in the paper you gave 3.5...over 3 percent raise. [LB959]

KEN FOSSEN: No, we gave 3 percent--3 percent for next year, 2.5 percent last year. [LB959]

SENATOR GROENE: That's well above inflation. [LB959]

KEN FOSSEN: Well, it depends on how you define inflation. The thing I have to deal with I get back this evening is budgets for roofing coming in...bids. The one I have mind right now is \$330,000--low bid, \$480,000. I have another one that is similar to that. Inflation in the roofing industry is huge. We have also... [LB959]

SENATOR GROENE: But I was talking about wages and wages is 85 percent of your total budget. [LB959]

KEN FOSSEN: Yeah, but I'm talking about inflation in general. You're talking about...if you're looking down the road, because this locking in a number at 2.5 percent, if you're saying that from now through whenever this goes, ten years, that 2.5 percent is going to be inflation, that's one thing. But I was a superintendent back when inflation was 14 percent and the districts were under a 7 percent lid. And I can tell you one of the things that we did on a regular basis was hand out the pink slips until it got so bad that the Legislature had to do something about it, and fortunately, the inflation came down. The other part of it I think is...maybe part of the answer for issues that have arisen today, take a look at page 5 and the graph that is there, if you would please. [LB959]

SENATOR GROENE: I don't...which is the latest handout? All right. [LB959]

KEN FOSSEN: I think this is probably the root of a lot of the issues that are coming out of this taxes are too high. If you look at the last five years for ag land values in Nebraska, they have gone up 108 percent. And of course, as the values go up 108 percent, that means that the tax shift is to the people who actually have the land. So it's interesting. The question becomes, who in the world is paying that it's increasing this 100 percent? I checked with the report from the department...or from UNL here. And for the latest report, it's not the foreign countries who we hear of coming in and competing for Nebraska land. Ninety-seven percent of the land purchases in Nebraska are other Nebraskans. Fifty-one percent of those purchases are cash on the

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barrelhead, no mortgages and no loans involved. So if we have the situation with agricultural land taxes, it's being caused by what would appear on the surface to be irrational business decisions on the part of the people buying this land that's causing the values to go up. Eventually, that irrationality and that balloon has got to come down because, as your smaller farmers were testifying here, they're having trouble making a living because they had their land sitting there; they didn't go out and buy it, but the value of their land went up right along with all the new purchases. So my introduction that I skipped over is basically saying, what are the real issues that we're talking about here with LB959? We seem to be addressing the spending side, but the question is, really what is the driving force? And I think you've heard here over and over again the driving force is property tax and property tax from the rural area. And so you have to look at what is causing that problem. And what it is, is people willing to pay beyond the fair market value for that land and then when the taxes come in, they're upset. [LB959]

SENATOR GROENE: But the reality is we went from \$1.9 billion to \$3.2 billion spending in education in ten years. [LB959]

KEN FOSSEN: Okay. [LB959]

SENATOR GROENE: That's the reality. [LB959]

KEN FOSSEN: Okay. [LB959]

SENATOR GROENE: Where did it go? Somebody behind you might be able to answer that. [LB959]

KEN FOSSEN: That's such a broad statement, I don't even know where to begin. [LB959]

SENATOR GROENE: Well, stop by my office and they'll give you the fact...where we got the (inaudible). [LB959]

KEN FOSSEN: Okay, I would love to see the facts. [LB959]

SENATOR GROENE: (Inaudible) if you doubt us. [LB959]

KEN FOSSEN: And I don't doubt them. [LB959]

SENATOR GROENE: All right. [LB959]

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KEN FOSSEN: But I just have trouble answering a question that is so broad. I can't even tell you why it's (inaudible). [LB959]

SENATOR GROENE: We're state senators. We have to answer that broad question. [LB959]

KEN FOSSEN: Okay. If you don't know the answer, I'll find it for you. [LB959]

SENATOR GROENE: Thank you. [LB959]

SENATOR SULLIVAN: Any other questions for Mr. Fossen? Thank you for your testimony. [LB959]

KEN FOSSEN: Thank you. [LB959]

SENATOR SULLIVAN: Any other testimony? [LB959]

PAUL GRIEGER: Feels like good evening, but we can remarkably still say good afternoon. Good afternoon, members of the committee. My name is Paul Grieger, P-a-u-l G-r-i-e-g-e-r. I work in the public finance department at D.A. Davidson in Omaha, Nebraska. D.A. Davidson provides bond financing services to school districts throughout the state of Nebraska. I intend to provide in my testimony my understanding of school districts using limited tax obligation bonds to enhance existing facilities for the purpose of providing safe environments for learning, as well as my understanding of the evolution of this authority. In 1983, LB624 established Section 79-4,207, the predecessor to Section 79-10,110, the act that is referred to commonly as qualified capital purpose undertaking fund authorization, or by the acronym QCPUF. This statute gave school districts the ability to levy taxes to pay for the removal and replacement of asbestos from school facilities. In 1988, LB1073 expanded the scope of the act beyond asbestos removal and replacement to include abatement of environmental hazards in school buildings or on school grounds. Environmental hazards included contamination of air, water, land surface or subsurface caused by any substance adversely affecting human health or safety if such substance has been declared hazardous by a federal/state statute, rule, or regulation. In 1989, LB706 added provisions that made the act more closely resemble what it is today, including: allowing the issuance of bonds payable from the limited tax levy; limiting the tax to a maximum of ten years; allowing the tax to be levied for multiple projects; removing the sunset provision regarding the submission of itemized estimates; and raising the limited tax from 3.5 cents to 5.2 cents per \$100 of taxable valuation. In 1992, LB1001 added accessibility barriers to the list of allowable improvements made with funds from the limited tax levy and financed with bonds. In 2003, LB540 added life safety code violations, indoor air quality problems, and mold abatement to the

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list of issues allowed to be fixed with the limited tax levy. The principal amount of bonds issued to abate mold and fix life safety code violations and indoor air quality problems were limited to no more than the amounts specified in the itemized list. In 2009, LB545 added the ability to issue bonds payable from the limited tax for construction acquisition, expansion, renovation, or modernization of school facilities pursuant to the American Recovery and Reinvestment Act of 2009. In 2012, LB633 allowed districts to exceed 5.2 cents of \$100 of taxable valuation to pay debt service on the outstanding bonds if the current valuation was less than the valuation at the time of issuance of the district's most recent limited tax bonds and (2) the current maximum levy would be insufficient to meet debt service payments on the limited tax bonds. Over the years this financing mechanism has evolved into a vitally important tool used responsibly by school districts of all sizes throughout communities in Nebraska. This bill limits good things that can be accomplished through local control. Additionally, I'm aware of 66 limited tax school building improvement issues, or QCPUF issues, done by schools over the past five years totaling approximately \$63 million. This amount represents 0.5 percent of all of the bonds issued throughout the state of Nebraska during that time, as reported by Thomson Reuters. Thank you for hearing from me. [LB959]

SENATOR SULLIVAN: Okay. Thank you, Mr. Grieger. Any questions for him? Were you speaking in opposition or in a neutral capacity? [LB959]

PAUL GRIEGER: I'm speaking in opposition. [LB959]

SENATOR SULLIVAN: Okay, very good. [LB959]

PAUL GRIEGER: Okay, thank you very much. [LB959]

SENATOR SULLIVAN: (Exhibits 20-22) Thank you. Okay. Is there any other, further opposition testimony to LB959? We'd like to read into the record several letters of opposition: Terry Werner, executive director, National Association of Social Workers-Nebraska Chapter; Todd Hilyard, superintendent at Holdrege Public Schools; and Caroline Winchester, superintendent at Chadron Public Schools. Is there anyone interested in speaking in a neutral capacity? All right, guess I will...I'm going to come around there to close in just a few minutes, if you can lead me through this process, if you don't mind. [LB959]

SENATOR SCHNOOR: Does that put me in charge? [LB959]

SENATOR SULLIVAN: Yes, it does, Senator Schnoor (laughter). [LB959]

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SENATOR SCHNOOR: Okay. [LB959]

SENATOR SULLIVAN: (Exhibit 23) And first of all, I want to, if the pages would help me...this was an oversight on my part when I went through all the components of LB959. I actually had a bullet sheet for all of you, and so I would like you to have that because that really encapsulates all the main points of LB959. And I want to say thank you to all the people who testified and spoke to some specific parts of LB959 because the bottom line is, as I think the Governor also said, it's part of our charge to look at LB959, what we've heard, and maybe we can find some common ground and some opportunities to amend the bill and to make it better and to make it more palatable to some of the things that we heard today. I also want to say thank you for all the testifiers because I thought it was respectful testimony. Obviously the educators are very passionate. I think you heard that also in some of the people who testified in support of this bill, the property taxpayers. I will say that their passion came through, but not in the intensity that we have received in some of the phone calls that have come to our offices. So again, I do appreciate the testimony, but also just want to remind us that I think there is room for movement with some of the ideas that we've heard and I think, I hope, that we will take those into consideration as we move forward on our discussion on LB959. [LB959]

SENATOR SCHNOOR: Okay, is there any questions for Senator Sullivan? Okay, thank you. [LB959]

SENATOR SULLIVAN: You bet. This closes the hearing on LB959, and we're going to take a break. We have three more bills and we will reconvene at 6:00. Thank you very much. [LB959]

SENATOR PANSING BROOKS: At 6:00? [LB959]

SENATOR SCHNOOR: 6:00? [LB959]

SENATOR GROENE: 5:00. [LB959]

SENATOR PANSING BROOKS: You mean 5:00? [LB959]

SENATOR KRIST: She meant 5:00. [LB959]

SENATOR SULLIVAN: Oh, excuse me. Oh, excuse me. Could we stop for just a minute? Excuse me. Senator Scheer, could you step aside? Governor, I apologize. Did you want to make any final comments? [LB959]



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GOVERNOR RICKETTS: No, no, no. I think you did a fine job. [LB959]

SENATOR SULLIVAN: Okay. All right. Very good. Thank you. [LB959]

SENATOR PANSING BROOKS: And reconvene at 5:00, not 6:00? [LB959]

SENATOR SULLIVAN: Oh, excuse me. (Laugh) Yes. I'm sorry. Yes, at 5:00 (laughter). [LB959]

BREAK

SENATOR SULLIVAN: Ready to reconvene and continue our public hearing, this time on LB882, Senator Scheer. [LB882]

SENATOR SCHEER: (Exhibit 1) Good afternoon, Chairperson Sullivan and those of the committee that are here to listen. I appreciate that much. Good afternoon. My name is Jim Scheer, J-i-m S-c-h-e-e-r. I represent the 19th District in the Nebraska Legislature. I'm here to introduce LB882. LB882 is a simple bill designed to slow the growth of school district budgets. I believe we all remember the presentations and the data from this summer regarding increasing agricultural land values and educational spending. One thing that specifically caught my attention was the fact that in every county the majority of property taxes paid go directly to public schools. Over the years, the Legislature has decided to place a cap on school district spending growth at 3.5 percent; 2.5 percent is automatic and 1 percent with a supermajority vote. In that data we were shown that the Census Bureau, over the period of time 2002-2003 to 2012-13, the average growth in the school district spending was 4.1 percent. I understand that we do allow an extra percent of growth for the vote of a supermajority; however, this 4.1 shows 6 percent above what we would show as the limitation on local school districts. Going through the bill section by section: Section 1 would alter the statute that allows school districts to exceed the allowable growth percentage. Current statute provides for an additional 1 percent growth with the vote of a supermajority of the board. This section simply changes that to say 1 percent or whatever is needed to meet the budget shortfall, whichever is less. Therefore, if a district doesn't need the full percent, they don't get the full percent; if they need it, they still get it. They get whatever portion of that they need. Section 2 subjects the districts' cash reserves to an allowable growth rate. Currently, districts are able to grow their cash reserves up to the statutory limits that exist. The intent of this bill is to limit reserves' growth to 3.5 percent annually with a statutory cap still in place. Section 3 removes the school districts' ability to tap into unused budget authority in future years. Currently, districts are allowed to carry forward a certain percentage of their unused budget authority. This bill simply removes that provision so that the district growth would be limited to the allowable growth rate of 3.5 percent. Taken together, all the sections of this bill would simply ensure that school districts' growth cap is 3.5 with intent...which was the

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intent of the Legislature when allowable growth rate was created. There was a little bit of confusion I think from some people that I was limiting school districts to a 1 percent increase. This really does not do that. This simply leaves everything in place other than you have the additional 1 percent, that by a supermajority only, is up to 1 percent. So if a district needs 0.54, they get 0.54; they need 0.92, they get 0.92. It's fairly simple. They still get the automatic 2.5 and it limits the reserve growth to the same as their other budgetary growth. In fairness, the 4.1 is from the Census Bureau. That was something that was shared this summer with the Fiscal. I do have, if pages would like to hand these out, just something to refresh the committee's memory. Here you go. Thank you. It does show the 4.1 from the U.S. Census. However, if we're going to look at Nebraska, the Legislative Fiscal Office shows from '04 to '14 annual growth of 3.5 percent, which is exactly what the state was...intended for the limitation. And bear in mind, you know, I've been on a school board for a long, long time, and I know that override elections are not the easiest in the world. But I think the intent that they were put there was that when growth exceeded that, they expected the school districts to go to the vote of the people to increase their budgetary area. So this really is not playing with anything. It's just trying to put the limitations back to where they are. Both of my bills really have...the intent is to try to do something that will curb our growth; and the second one, trying to develop a secondary form of state aid that will be complementary to TEEOSA. So in a nutshell, that's it. It's a pretty simple bill. Be glad to answer any questions. [LB882]

SENATOR SULLIVAN: Thank you, Senator Scheer. When you say the amount needed to meet the shortfall, how do you define shortfall? [LB882]

SENATOR SCHEER: Whatever their budgetary request would be, so if their budgetary request is \$1 million and they need \$1,085,000, then they'd need an 85 percent...0.85 percent of an increase. So instead of getting the whole \$100,000 on the \$10 million, they would only get \$85,000. So it's up to that 1 percent, but just the amount that's needed to fund that budget request. [LB882]

SENATOR SULLIVAN: Okay. All right. Any other questions for Senator Scheer? What are the ramifications for, do you think, and we're probably going to hear this from the school districts, of getting...eliminating unused budget authority completely? [LB882]

SENATOR SCHEER: Well, you know, I suspect there will be some concern there. I mean I would be concerned if I was, you know, reversing. I'm not trying to be flippant about this. I understand the concern the school districts have. But I guess I'm going back to the intent that we need to make an attempt to have school districts live within the boundaries of those parameters that were placed on them a long time ago. And I will be perfectly candid: when I was on the school board, probably, if not every year, the great majority of the years we maybe only were

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going up 2.1 percent or 2.2 percent maybe back then, but we always did a supermajority vote to bring that percent in, just in case we ever needed it. I don't think it was ever intended to be a slush fund, and I think...so I guess maybe from sort of a transparency standpoint, if we can't live within those boundaries, how does the community or how does your district patrons ever know that you can't? And if it comes to the point where you no longer can facilitate good education in those amounts, we shouldn't be ashamed to ask the local community or district to provide the adequate funding that you need for a school district. I mean we shouldn't be ashamed of that, and I think for some reason we're really hesitant or afraid to go to the public for public execution of additional dollars for education. I don't think we should try to circumvent that. I think that should be part of the process. [LB882]

SENATOR SULLIVAN: Thank you. Any other questions for Senator Scheer? Obviously you're going to stick around. [LB882]

SENATOR SCHEER: You know, I will, just in case you need anything. [LB882]

SENATOR SULLIVAN: (Laugh) We'd like to hear proponent testimony for LB882. Welcome back. [LB882]

DAVID GRIMES: (Exhibit 2) Thank you. Thank you for welcoming me back. I'm David Grimes, D-a-v-i-d G-r-i-m-e-s. I live and farm near Minden, Nebraska, yet, and I'm here representing Nebraska Farm Bureau Federation. In the interest of time and wanting to be...give everybody a chance to testify who wishes to, I plan to come back up two more times and, rather than repeat testimony, I'm not going to give any verbal testimony at this time. But if somebody would have a question, I'd do my best. [LB882]

SENATOR SULLIVAN: Okay, thank you, Mr. Grimes. Any questions for him? So suffice to say, it's "ditto," for your previous testimony applies to this one as well? [LB882]

DAVID GRIMES: Yes. [LB882]

SENATOR SULLIVAN: Okay. Thank you. [LB882]

DAVID GRIMES: Thank you. [LB882]

SENATOR SULLIVAN: Welcome. [LB882]

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MATT JEDLICKA: Good afternoon, Senator Sullivan and members of the committee. My name is Matt Jedlicka; that's spelled M-a-t-t J-e-d-l-i-c-k-a. I live in Columbus, Nebraska. My family farms and feeds cattle in Colfax County, Nebraska. And I would have to say it's been a very interesting discussion. I've been here all day listening to this. I guess I'll start by saying that, other than a couple organizations, every individual here talking about the burden on property taxes has been ag land property tax people. And agriculture has seen some profitable years, starting in 2008. I will agree with that. Farmers like to buy land. They've rolled it in and invested in more farm ground. But there is about four other issues you need to consider that makes ag land unique and something that we shouldn't depend on for taxes, especially to fund schools, like we have for a long time in this state. Only about 1.5 percent of farm ground gets sold per year. Okay? And there's a cost to farming ground that's a long ways away. You can't...it costs a lot to farm it a county away. It costs a lot to farm in a different part of the state. So there is a value to producers when they can buy ground in their neighborhood. (Section) 1031 exchanges have been a huge issue with ag land for many years now and continue to be to this day. The other thing is, is there's no alternative to farm ground. Commercial property and homes, which we didn't hear any commercial property or homeowners testify today, and that's because there's always an alternative that caps that price. You can build a new building for your commercial business. All of us can own a home that we can afford the property taxes on. Farm ground doesn't have that alternative and it's...and prices have escalated beyond control I would say. I'm going to e-mail everybody a Table 5, and this is out of a university ag economics study for 2014 done by Jim Jansen and Roger Wilson, and I'm going to just mention a couple highlights off of here. This is on Table 5: net rates of return to ag land. So current for my district--again, this would be in Colfax County--the net rate of return to ag land is 2.6 percent or 3 percent, respectively, for dryland or irrigated. Okay? In the mid-'90s, that was 3.5 percent or 4 percent. If you go back to the...I'm sorry, that was the mid-2000s. If you go back to the mid-'90s, we're doubled. So the value of ag land that we're taxed on is double today in relationship to earning potential than it was in the mid-1990s. These four bills today, I could sit up here and speak in favor of all of them and I don't know if they're the best alternatives. There were better alternatives last year I believe. I was personally in favor of dropping the rate down to 65 percent for ag land. That did not pass. I'm here today because these are the only alternatives that we have before us currently. My message for you today is there is a problem. I'm going to send you this chart. I think the university numbers outline it better than I can. [LB882]

SENATOR SULLIVAN: Thank you, sir. [LB882]

MATT JEDLICKA: You bet. [LB882]

SENATOR SULLIVAN: And could you tell me again how to pronounce your last name? Yedlitzka (phonetically)? [LB882]

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MATT JEDLICKA: Yedlitchka (phonetically), yeah. [LB882]

SENATOR SULLIVAN: Yedlitchka (phonetically), okay. I'm Czech too. [LB882]

MATT JEDLICKA: It starts with a "J." [LB882]

SENATOR SULLIVAN: You said that you have been here all day, or all afternoon, and so I wondered if maybe if you had taken issue with a comment that was made by one of the testifiers who made the comment about some irrational business decisions when these prices being paid for ag land. Would you like to comment on that? [LB882]

MATT JEDLICKA: Yeah, and I guess I maybe tried to address that with my testimony right now in that how big of a deal location is. Only 1.5 percent of ag land changes hands each year. I think a lot of farmers only get a chance to maybe buy some ground in their neighborhood once or twice in their lifetime. There may be some bad decisions made--I will not argue with that--that are not good business decisions necessarily. But the fact is we are taxing farmers and they may pay a high--very high--percent of school funding in a lot of counties, in a lot of districts. We're basing that off of 1.5 percent of sales each year, and that's where we're running into this imbalance. This is a serious issue for agriculture. You guys have been hearing about it for years. I asked myself how we got to this point. I should have been here ten years ago, you know. I was on a committee ten years ago that got to study this a little bit, and you're replacing the revenue from somewhere else, and I understand that. But I just think we've come to a point where we cannot lean on agriculture as much as we are. I have a friend in Iowa. I'm going to throw this in. Even though I'm over time again, I'm going to throw this in. Equivalent farm ground by Audubon, Iowa, is taxed at \$34 an acre. Ground that value in Nebraska would be at \$90 an acre, so. [LB882]

SENATOR SULLIVAN: Thank you. Any other questions? Senator Groene. [LB882]

MATT JEDLICKA: Any other questions? [LB882]

SENATOR SULLIVAN: Senator Groene. [LB882]

SENATOR GROENE: Thank you. I grew up in Colfax County and I recognize that name. So you go out and buy a \$300,000 combine. Is that irrational or do you have to have that combine to make a living? [LB882]

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MATT JEDLICKA: If you have enough acres to run it over, your cost per acre will be justified. [LB882]

SENATOR GROENE: So you buy that land because you have to have it to make a living, right? [LB882]

MATT JEDLICKA: Yep. It helps. You can lose rented ground, yeah. [LB882]

SENATOR GROENE: And then on that 1.5 percent, I don't know the numbers, but how much of that is relative selling to relative, father selling to son, where you don't even have an opportunity to buy that land? [LB882]

MATT JEDLICKA: I would say that's county data, so I would assume some of that's involved. [LB882]

SENATOR GROENE: So maybe 0.5 percent of that is off the market. So the farmers who want to buy land are competing for 1 percent and then that drives it up further. Could that be true? [LB882]

MATT JEDLICKA: Yeah, I would agree with that wholeheartedly. [LB882]

SENATOR GROENE: Thank you. [LB882]

MATT JEDLICKA: Yeah. [LB882]

SENATOR SULLIVAN: Senator Baker. [LB882]

SENATOR BAKER: Thank you, Senator Sullivan. Probably why we're here today is because of the runup of ag land values. I think it's probably why there was a Tax Modernization Committee that we had a couple years ago. It's why we had the joint Revenue-Education Committee meetings this fall to find ways to reduce overreliance on local property taxes. We talked a lot about the three legs of the stool: sales tax, income tax, and property tax and, you know, some of the solutions might be other ways to balance the three legs of the stool, rather than sawing off one of them and then having three short legs. The other thing here, do you think you've benefited at all? Do you think ag land value...owners benefited at all from the increase in prices in farmland values? Have you benefited? [LB882]

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MATT JEDLICKA: If you're the 1 percent that's going to sell it, yeah. [LB882]

SENATOR BAKER: But even if you're not, didn't your net worth go up? [LB882]

MATT JEDLICKA: Yes, um-hum. [LB882]

SENATOR BAKER: Does that not give you some satisfaction? [LB882]

MATT JEDLICKA: Rents have gone up. So, yeah, if you own ground, I mean, again, it comes back to this...these returns to land. Your return to the land has gone up enough, but the problem is, is there hasn't been enough profits in agriculture to keep up with the increased values. The return to the land has decreased over the 25 years on this study pretty consistently, and it really increased in 2000. [LB882]

SENATOR BAKER: And I see heads bobbing behind you, so there's people who agree with what you're saying there but, you know, the...you basically rode up ag land values, so you now have a higher net worth. [LB882]

MATT JEDLICKA: Correct. [LB882]

SENATOR BAKER: To me that has to be worth something. [LB882]

MATT JEDLICKA: Yeah, it does. If you're a farmer... [LB882]

SENATOR BAKER: You have to get some satisfaction. [LB882]

MATT JEDLICKA: Yeah, because you're... [LB882]

SENATOR BAKER: And you can say, here's my net worth now, here's what it was before. [LB882]

MATT JEDLICKA: ...because you're renting your...yeah, if you're a retired farmer that owns farm ground, you're renting your ground out for more. It's a lower percentage of the value, but you're renting it out for more, yes. [LB882]

SENATOR BAKER: Thank you. [LB882]

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MATT JEDLICKA: But you're...then again, the property taxes have more than doubled or tripled over that time, yeah. [LB882]

SENATOR SULLIVAN: Any other questions? Senator Schnoor. [LB882]

SENATOR SCHNOOR: Has the return on your investment with this ag land value that has skyrocketed, has your return on investment increased? [LB882]

MATT JEDLICKA: Yes, yeah, because you're...you have more value. [LB882]

SENATOR SCHNOOR: But your actual...you talked about your...in your sheet, which would be...I would really love to see that. But you talked about the percentage that has gone down over the years. So if, you know...and I think what you're trying to get at is ag land, it went from...and I can't speak exactly for your area, but I can tell you what Dodge County...you know, it could have been \$1,000 to \$1,200 in early 2000 and now it's up to \$10,000 to \$12,000, but yet for me, you know, I'm making about the same amount of money now as I did back then. [LB882]

MATT JEDLICKA: Yeah. Right. I would agree with that, and that's what this chart does show. I'll maybe...when I get a chance to send you guys this, I'll outline a little bit of my thoughts on it. [LB882]

SENATOR SCHNOOR: You know, and there, you know, just like you said, there were years where it was good, there's no doubt about it. But all those years there was...you know, unfortunately, that's what has caused all this problem as well. [LB882]

MATT JEDLICKA: Um-hum, yeah. [LB882]

SENATOR SCHNOOR: And now we're dealing with that and so...okay, thank you. [LB882]

SENATOR SULLIVAN: Any other questions? Senator Groene. [LB882]

SENATOR GROENE: Clarify Senator Baker's deal. You have a daughter or a son that might farm? [LB882]

MATT JEDLICKA: They're young, so we'll see. [LB882]



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SENATOR GROENE: So when you look at your net worth, you really don't look at that as money, do you? That's the asset you need to make a living. [LB882]

MATT JEDLICKA: That's right. It's on paper, I guess. [LB882]

SENATOR GROENE: Yeah. But you talked about the retired farmer. [LB882]

MATT JEDLICKA: Yeah. [LB882]

SENATOR GROENE: But are you renting land? [LB882]

MATT JEDLICKA: Yes. [LB882]

SENATOR GROENE: So it's a bigger cost to you when land goes up, because you're paying a higher rent. [LB882]

MATT JEDLICKA: That's correct. [LB882]

SENATOR GROENE: And the folks I hear from the banking, ag banking that are in financial problems right now, the young farmer who the rents are so high and the commodity prices, he's the one that's going to have the farm sale. So would you say that high values and high rents hasn't really helped the farmer who actually operates a farm? [LB882]

MATT JEDLICKA: Right, not at the prices we're at today; and if they signed a three- or four-year contract three or four years ago, yeah, they're going to struggle this year. [LB882]

SENATOR GROENE: Yeah. The rent is the same and the property tax... [LB882]

MATT JEDLICKA: And landlords aren't renegotiating... [LB882]

SENATOR GROENE: No. [LB882]

MATT JEDLICKA: ...because of what their property taxes are doing. [LB882]

SENATOR GROENE: Yeah. All right. Thank you. [LB882]

MATT JEDLICKA: Yeah. [LB882]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. [LB882]

MATT JEDLICKA: Okay, thank you. [LB882]

ROGER BRANDT: I made some notes on my... [LB882]

SENATOR SULLIVAN: Welcome back. [LB882]

ROGER BRANDT: Roger Brandt, R-o-g-e-r B-r-a-n-d-t. We were talking about the values, why land went up. Farmland went up, and this is the farmers, several farmers that are buying the land, have been buying the land. Interest rates, it was a big thing that all kind of came together, this giant storm. Interest rates are really low. Stock market is shaky. They're taking the money that they have, the big farmer is, and he's investing it in land because he has something to show for it. Yes, the value may go down, but he still has something that he knows he's going to have, unless property tax come from the bottom side and eat it up. That's what's happening. Those guys maybe had land for...or had grain in their bins for three or four years and they decided it's time to move it out, we're going to buy a piece of land. That's what they're telling me, the big guys. I didn't give \$7,000 an acre for my land. I bought it back in the '87 and '90, and I gave \$475 an acre for my farm. I gave another one in 1990: \$350. It won't justify paying for itself at \$7,000 or \$8,000 an acre. If that land...it doesn't mean to me that it's worth anything unless I want to sell it. Yes, if I want to sell it, I'm going to get a big...but we have the government also setting their...wanting their pot of gold because they're going to get you really good if you're selling a quarter section of land or a couple, three quarters of land at the price it is. But we have to live on that land, so that's what makes the difference. We have to make a profit; and if we don't make a profit, we're not in business. Yes, we have borrowing power at the bank. The banker will give you more borrowing power because it's worth a lot more. But do you want to go backwards? It takes a long time. We had about five years that were really good prices. If you were smart, you would put some of that money away, pay your debts off, which I did and I got out of debt and I don't owe anyone any money. But it's still going to be difficult for the young farmer that has to pay interest. There was a lot of years on my 1,000 acres I was farming I was paying \$35,000 a year in interest. If I had that now, there would be hardly any profit whatsoever to me, very, very little by the time I got out income tax, too, to pay. So anyway, that's...I've got other things, but that still kind of touches base. We got to find a different way of taxing somehow. If most of the students are coming from in town, once again, somehow if the businesses, they can add those costs to their...when everything goes up. We cannot, "How much will you give me?" So that's a really big issue for us in agriculture that we're always complaining. [LB882]

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SENATOR SULLIVAN: (Exhibit 3) Thank you, Mr. Brandt. Any questions for him? Thank you for your testimony. Any other proponent testimony on LB882? I would like to read in the record a letter from Dennis Fujan, president of the Nebraska Soybean Association, in support of LB882. Anyone wishing to speak in opposition? Welcome. [LB882]

JOHN BONAIUTO: Senator Sullivan, members of the committee, I'm John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o, here in opposition to LB882. When the school board members...I'm representing NASB. And when the school board members of the NASB legislation committee looked at this, they felt that in Section(2) part (b), school boards are being treated differently than other political subdivisions. And, you know, the message they got was, well, maybe school board members aren't as in tune or in touch with their taxpayers because what Senator Scheer is saying here, it does make sense. But the school board members can figure that out whether they need to go a percent, which the other political subdivisions would have the ability to do, or take a fraction of that if there was a budget issue. So that was the first thing that the school board members looked at when they read the bill. And then the other piece was that the budget authority, it may be too soon to know how that elimination would impact districts statewide. Having budget authority being part of the discussion is not a bad thing, but with as many moving parts as we have with what's happening in Revenue and what's happening in Education, we may need some...a little time to tell whether ratcheting down to that extent is going to have a really adverse impact on some of the districts. But with that, I would just end my testimony. [LB882]

SENATOR SULLIVAN: Thank you, Mr. Bonaiuto. Any questions for him? Thank you for your testimony. [LB882]

JOHN BONAIUTO: Thank you. [LB882]

SENATOR SULLIVAN: (Exhibit 4) Anyone else wishing to speak in opposition to LB882? I do have a letter from the STANCE group in opposition. Anyone wishing to speak in a neutral capacity? Welcome back. [LB882]

JON HABBEN: Good evening, Senator Sullivan and members of the committee. Jon Habben, J-o-n H-a-b-b-e-n, Nebraska Rural Community Schools. Our thoughts on this particular bill and the reason we're testifying neutral is the issue of whether you ask for 1 percent or less than 1 percent, it really didn't rise to a level of concern for us. It may take a little more calculating, it may take a little more planning, but it wasn't something that really rose to a level of concern. I am concerned, however, about any discussion on eliminating unused budget authority. I think that's simply a tool that needs to be available. I hope it's not misused. You know, that's up to the elected board to make those determinations. But I do think that's something that eliminating it takes a really important tool away from school boards and their ability to manage for the future.

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When you get into oversight of school boards, I do have a concern about that as well. I think we have an elected school board. And I think when you choose somebody to have oversight over the elected school board, I think the elected school board can manage themselves. And I think you take out one political layer in there if you don't do those kinds of things. But again, as far as the 1 percent or asking for less than 1 percent, we just didn't see that as that much of a negative issue, even if it might create a differentiation between school districts and other political subdivisions. So that's all I have to say about the bill. [LB882]

SENATOR SULLIVAN: All right. Thank you, Mr. Habben. Any questions? Thank you for your testimony. Anyone else in a neutral capacity? Senator Scheer. [LB882]

SENATOR SCHEER: I don't know what to say. I thought I had a consent agenda item here until Bonaiuto gets up, so. [LB882]

SENATOR MORFELD: There's not many of those here, Senator. [LB882]

SENATOR SCHEER: You know, I'll be real brief in closing. I did forget to mention that Tammy had sent us some concerns in relationship to some technical changes that she found in the bill and we certainly will work with her and try to get an amendment to the committee that they can review in relationship to the concerns and the corrections that Tammy found on the bill. So with that, I would answer any last questions. If not... [LB882]

SENATOR SULLIVAN: Okay. Any other comments or questions for Senator Scheer? All right, well, that closes that hearing and, Senator Scheer, we'll move right into LB883. [LB882]

SENATOR SCHEER: Well, it's still afternoon because it's not 6:00. And I'm still Jim Scheer, S-c-h-e-e-r, representing the 19th District. I'm here this afternoon to introduce LB883. LB883 is essentially a simple concept. It would establish a per-student foundation or base aid to be paid to school districts, emphasize this aid would go to all school districts, based on their enrollment. Upon full implementation this foundation would total \$3,000 per student in each district. When TEEOSA was originally passed, as part of the legislative intent was to provide a foundation component that would go to every district. Along with this component was the equalization component as well. Today the equalization aid formula is still utilized; however, the foundation portion has gone away by the wayside. This proposal can be seen as going back to the basics of TEEOSA by creating a flat per-student foundational aid. Today, over two-thirds of the school districts do not receive equalization component, or nearly two-thirds percent of the component of state aid. This results in the state aid formula under which 96.74 percent of all state aid goes to 35.5 percent of the school districts in 2015-16 state aid certification document. However--I'm trying to be fair--those districts do represent 81 percent of the districts. However, there is a

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discrepancy there. You have 97 percent of the funding going to 81 percent of the students. LB883 provides much-needed state support to the remaining 64.5 percent of the school districts that currently receive 3.26 percent of the state aid under the schools' TEEOSA formula, while maintaining support for the schools that already receive TEEOSA aid. This is accomplished by including the foundation aid into the TEEOSA as a formula resource. It is important to count the foundation as a formula resource as it is; after all, it's a guaranteed source provided to each district from the state that can be budgeted on and expected. Because the foundation aid is calculated on a formula source, it will offset equalization aid dollar for dollar until school districts reach the point where they no longer require the equalization component. At that point, the foundation aid will result in additional aid over the calculated formula needs that will be used to offset a district's property tax levy. Going section by section through the bill, several other changes are made to the TEEOSA formula. The summer school allowance and elementary site allowances are removed, for starters. Over the interim I performed an examination of several states, especially those surrounding states, as well as other states across the nation. I found that each of these states expects their school districts to fund their summer school programs through their general budgets and do not provide them with extra incentive allowances inside their formula to channel money toward summer school. Additionally, the TEEOSA formula already provides for transportation funding, providing additional funding to districts that have school sites that are miles...in lieu of miles apart in additional unwarranted and the money can be better utilized. Further, LB883 removes the system averaging adjustment, which I believe we can all agree has never reached its intended goal. Another major, main provision of this bill is the removal of additional funding for net option funding students within the TEEOSA formula. When it was created, the option student program was intended to allow school districts to accept students wishing to transfer in from surrounding districts for the purpose of filling openings within the existing classrooms, not for building additional facilities, not for adding classrooms, but to fill some type of excess capacity in school buildings. Unfortunately, this program has ballooned in a way for some districts to supplement their budgets by accepting as many students as possible. There are several districts in Nebraska that currently have over half of their student population made up of option students. This is far from the original intent of option students. Further, the per-student foundation aid that will replace this will treat all students equally, instead of paying districts extra just for the students that happen to come in from outside their own district. LB883 will create a citizens' oversight group to ensure that state funds to schools are used as intended. Oversight of state dollars is an important part of the Legislature. If we're going to commit to providing this new funding, we must provide taxpayers with oversight to ensure that it's being used in accordance with its intent. This group will be appointed--please listen to this because there has been some misunderstanding in relationship to how this board works--this group will be appointed by the superintendent of the school district. This is not appointed by some other random group; it's not appointed by the mayor or some ad hoc citizens group. They're appointed by the superintendent, they are confirmed by the school board, and they will make public their report on their findings. Further, the department and the Auditor already have

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an oversight role for school district budgets. This bill expands the role to ensure that the new foundation component of TEEOSA is correctly used. I'm sure that you've heard from superintendents, as I have, that this committee is a sign of distrust in local officials. This committee is actually much the opposite, and it trusts superintendents and locally elected school board members with selecting their members to serve on this group. These individuals are members of the communities served by the school district and have a vested interest in ensuring accuracy and accountability. Further, it provides state taxpayers with insurance that they are entitled to when they spend their money on all school districts. In closing, this bill creates a foundation aid component to TEEOSA that will be considered as a formula resource. This aid will be paid to every district on a straight per-student basis. The foundation aid will first be used to offset equalization aid until all districts reach that point where they no longer need equalization aid. For those districts that still are reliant on equalization aid, this foundation will not provide property tax relief. This bill is not the silver bullet. It doesn't do everything for every school district. However, for the vast majority of school districts that are past the point of equalization of this formula, they will see substantial property tax relief. I've run calculations on several school districts in the state and have pulled a few as examples. Nebraska City--upon full implementation these numbers are correct--Nebraska City would be \$1.06 million that would go towards property tax relief. Boone Central would receive \$1.48 million. Norris would receive \$1.49 million. Gothenburg would receive \$2.52 million. Logan View would receive \$1.29 million. York would receive \$2.8 million. Fairbury would receive \$2.83 million. North Platte would receive \$1.81 million. Wahoo would receive \$2.97 million. Holdrege would receive \$3.28 million. Scribner-Snyder would receive \$612,000. Seward would receive \$4.26 million. Waverly would receive \$5.75 million and Blair would receive \$6.08 million. I understand the hesitance to embrace a new funding formula for schools--after all, schools are our future and they have a duty to ensure that we are providing them all that we can. The time has come to modernize our formula. The original TEEOSA never anticipated that one segment of property would grow at an astronomical rate while others saw modest growth. Further, we've not fully embraced the foundation component since the beginning of TEEOSA. This bill would provide us with more equitable K-12 funding formula for the entire state. Again, it's not a silver bullet, but I think if we look at it from a realistic standpoint, those districts that are receiving TEEOSA guard it closely, and as well they should. It's an important part of their funding. But those that receive none of that also are looking at being left out from the state. I'm not implying that TEEOSA should go away. Those that would receive and would benefit from the foundation aid would receive that. Those that receive TEEOSA, it may not help them, and some districts it will. For example, Omaha Public district I think would receive about \$23 million more. To me this is a marriage of two types of funding that makes really what I consider a more equitable, fair funding for education in the state of Nebraska. It's what was envisioned when we first came up with TEEOSA. It's used in countless states across the nation. We're not breaking any barriers here. We're again coming on at the end of the system. And last, I guess my fear is that if we do nothing this session, we'll see some type of referendum from the people. I'm thoroughly convinced of

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that. And after that scenario, we'll have no control of what happens. Somebody else will draw it up. There will be no hearings for us to talk about, to discuss, massage, and decide how well or how much we can afford to do. Somebody else will make that decision for us. Somebody else may make those decisions on how school districts budget themselves. We'll have no input in that as well. I desperately don't want to see that happen to education in the state of Nebraska. I think the time has come that we have to find some type of commitment to try to equalize the funding both on a TEEOSA equalization basis and on a per-student funding basis. Its time has come. It's been over 30 years since it was introduced. We only bought half the package. It's time to step up and pay the other half. Thank you. [LB883]

SENATOR SULLIVAN: Thank you, Senator Scheer. Those figures that you gave on the...some districts that would benefit... [LB883]

SENATOR SCHEER: Yes. [LB883]

SENATOR SULLIVAN: ...is that for the 2016-17 school year? [LB883]

SENATOR SCHEER: No, that would be upon full implementation. It's a five-year implementation. [LB883]

SENATOR SULLIVAN: Okay. [LB883]

SENATOR SCHEER: And I do want to address one thing. I'm sure when you look at the fiscal note, and I'll talk about that in closing as well, but in fairness, when you look at it, it talks about net fiscal impact on school districts being minus \$300 million and \$400 million. When we contacted the office today, they made the assumption that whatever dollars float into a school district had to automatically reduce their property tax request. That's not the intent of this bill. It says that nowhere. They understand that, but that was their assumption so that's why that graph is in there. [LB883]

SENATOR SULLIVAN: But along those lines, then this citizens' committee that will look at this to determine if, in fact, property tax relief has been realized, is this going to be subjective, or what are the parameters of what they operate? [LB883]

SENATOR SCHEER: No, I think it will be very objective. Example: If, again, whatever you choose to do with the budgets in relationship to school districts, if you do nothing or you do something, whatever their budget request is, it is. So if their budget request is \$1 million and their foundational aid is \$100,000, the job of that committee is to make sure that they request no

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more than \$900,000 for property tax. It's that simple. You're just defining that the dollars that came in go back against tax request. It's not subjective at all. It's very objective. [LB883]

SENATOR SULLIVAN: Senator Baker. [LB883]

SENATOR BAKER: Thank you, Senator Sullivan. Senator Scheer, there is really no new money being put into TEEOSA to do this. Is that correct? [LB883]

SENATOR SCHEER: Eventually there is. I've tried to phase it in so that the dollars that will flow in...there is a small...once the amendment that I have... [LB883]

SENATOR BAKER: But basically... [LB883]

SENATOR SCHEER: Just let me...please let me answer. The initial year, this year, there would be additional about \$5 million that would be requested. Eventually it would be upwards of \$150 million to \$200 million by the fifth year in full implementation. [LB883]

SENATOR BAKER: I'm particularly concerned with taking away net option funding. You know, that's about school choice, not filling up empty chairs. Would it surprise you to know that there are districts who have a substantial number of option-in students without having raised one finger to recruit anyone? [LB883]

SENATOR SCHEER: Oh, not at all, but I will also mention that this does not take away option enrollment, Senator. Any district can accept... [LB883]

SENATOR BAKER: But it takes away the funding. [LB883]

SENATOR SCHEER: No, it does not. It still gives each student that goes to whatever school district it is, they still receive \$3,000, just like any home district would receive \$3,000. [LB883]

SENATOR BAKER: We heard testimony the other day that there is a district with a general fund levy of 30 cents, so there's a number of unequalized districts who have a levy of 30, 50, 60 cents. There are districts who rely now, a lot, on that net option funding. So to say that we're going to take away from a district that's \$1.05, or close to it, so that we can give eventually \$3,000 to students who are levying 30 cents, that's a reverse "Robin Hood" bill. You're taking away from the poor and giving...taking it away from the poor and giving to the rich. [LB883]



SENATOR SCHEER: Well, Senator, I would beg to differ with you to this extent. Those districts, and I don't know if there's somebody out there at 30 cents, there may or may not be, but I would venture to say most of the rural districts that I know of are in the 60 to 65 to 70 cent range. And if we're going to be honest, that 70 cents...70 cent rate or 60 cent rate, their valuations have doubled in the last six years. So if you take that 60 cent rate on double the value, they are paying twice as much property tax as they were six years ago. I will tell you that we would have Armageddon if that happened in residential areas throughout the state. If residential housing went up 100 percent in the last five years, we wouldn't be talking here today. We would already have done something. They are not getting the free ride that you're trying to imply, Senator. They are paying their share. They're paying more than their share because the values that have rose, they're now paying the equivalency of \$1.20 based on that previous valuation that by and large most residential and communities are paying. Lincoln or Omaha, most of those school districts, their valuations have risen very moderately, maybe 3 to 5 percent over the last six years. Those rural school districts have had double, if not more. So the fact that they're at 60 cents, take it times two. This is not new math. Take it times two, they're paying the equivalency of \$1.20. I don't know anyone else that's paying \$1.20 for operational funds in the state other than rural school districts. That's the facts. [LB883]

SENATOR SULLIVAN: Senator Groene. [LB883]

SENATOR GROENE: The way I figure it, at a third if...is the break even for a school district with option enrollment. If option enrollment now, they're getting \$9,000 a student? [LB883]

SENATOR SCHEER: That would be correct. If you have... [LB883]

SENATOR GROENE: And you're getting \$3,000. [LB883]

SENATOR SCHEER: I mean the break even would be if you have less than a third of your population, your student population, would be option... [LB883]

SENATOR GROENE: Option enrollment. [LB883]

SENATOR SCHEER: ...you would come out ahead with this process. It also looks really I think at, close enough proximity, using a student-teacher ratio of about 20:1. Twenty times \$3,000 is about \$60,000. Now that's not going to cover wage and benefits for a 25-year senior teacher, but it's going to more than cover a five-year teacher. So somewhere in the blend districts that are accepting those students on an option basis, if they're not increasing staff, and even if they have

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to increase staff, should come out on a fair basis. They just may not make a profit any longer or have it as a profit center for those school districts. [LB883]

SENATOR GROENE: Why didn't you make them lower their mill levy, their asking, by the amount of foundation aid? [LB883]

SENATOR SCHEER: In some cases that may not be possible. [LB883]

SENATOR GROENE: Why not? [LB883]

SENATOR SCHEER: Well, if, for example, say somebody's property value is stagnant for a year and your...after the first year it's not like that continues to increase. It's going to stay stagnant, your foundation aid. So the foundation aid comes in and that's 14 percent of your dollars coming in as revenue. It didn't grow any. [LB883]

SENATOR GROENE: Well, the first year, I was thinking, if it's \$1.05 or \$1, that you'd have to... [LB883]

SENATOR SCHEER: Because it may or may not, I mean, because you still have an increase in budget, you know. Again, as much of a bad guy as I've been made out to be, I'm not trying to supersede a board's ability to set their budgets and determine how to set those budgets. This is about trying to find a funding source that will equally provide funding on a per-student basis throughout the state of Nebraska. [LB883]

SENATOR GROENE: Call me a skeptic, but it seems when the Legislature puts money in or puts a ceiling in, it doesn't take a generation of superintendents to make that ceiling become the floor; \$1.05 seems to be the floor now instead of a ceiling and... [LB883]

SENATOR SCHEER: Well, Senator, that was never my intent. I can understand your comments, but that was not the intent for myself or this bill. [LB883]

SENATOR GROENE: Thank you. [LB883]

SENATOR SULLIVAN: Any other questions? Thank you, Senator Scheer. You'll be here for closing, I presume? [LB883]

SENATOR SCHEER: Yes. [LB883]

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SENATOR SULLIVAN: We'll now hear proponent testimony on LB883. [LB883]

DAVID GRIMES: Just like going to work on the tractor, I'm sorry, I brought my water. [LB883]

SENATOR SULLIVAN: Go ahead. [LB883]

DAVID GRIMES: (Exhibit 1) I'm David, D-a-v-i-d, Grimes, G-r-i-m-e-s, and I'm from Minden, Nebraska. My wife and I live there and have a family farm. I'm on the state board of directors for the Nebraska Farm Bureau Federal Federation. Thank you for letting me testify again. And in addition to having a farm, I should also mention that my wife is a physician assistant, works in Hastings. I'm here to speak in support of LB883. I serve on the board of directors for Farm Bureau. My wife, Becky, and I have a family farm near Minden, Nebraska. All four of our children attended and graduated from Raymond Central High School. We're proud that they all received an excellent public education in Nebraska. I've farmed for 40 years in Nebraska, most of those in Lancaster County. And after moving a couple years ago, we now farm in Kearney County. Many of our members are active in their local communities, serving on local school boards, county boards, rural fire boards, and fair boards. Our organization values a public education for the children of our state, all the children, and a balanced and fair system of funding for public schools. I served on the Raymond Central School Board for 13 years, was secretary-treasurer of the Ceresco rural fire district for 8 years, served on Lancaster County extension board, and the county fair board. The current system of funding public schools in Nebraska is inequitable, unjust, and unsustainable, and that's why I am here. In Nebraska, 57 percent of funding for public schools comes from property taxes, compared to an average of 32 percent for all of the states in the United States. Ag land values have steadily increased over the last two decades, but especially, as you know, in recent years. We have experienced a large property tax increase for farmers and ranchers in Nebraska. In the last three years, our family, which farms a little less than 1,000 acres, has paid an average of 37 percent of our net taxable income for state and local taxes. In 2016, the over \$60,000 in property taxes that we will pay will most likely exceed the farm's net income. In the last 10 years, property taxes on ag land in Nebraska has increased 176 percent, 35 percent for residential property, 49 percent for commercial property. Large increases in property tax revenue in rural Nebraska allowed our state to shift and allocate increasing resources to meet the increasing needs to educate children in urban Nebraska. Nebraska needs to better diversify the resources we use to fund public education in Nebraska. We base funding for local governments, and in a way also the state government, on the assumption that property values will always increase. It's most likely that, for at least ag land values, that will not happen for awhile and may actually decrease. We need to create a better system to fund public education and all of local government, one where the burden of taxation is more equitably spread over the population, a system where the state contributes a larger share of funding for public K-12 education. We need a better system of funding to ensure that the children, all the children of Nebraska, everywhere in Nebraska, receive an excellent education

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into the future. LB883 would provide for increased funding for public education from our state government. It would provide for a more equitable and reliable way of funding to ensure a good education for the children of Nebraska into the future. Thank you. And if there's any questions, I would be happy to do my best. [LB883]

SENATOR SULLIVAN: Thank you, Mr. Grimes. Any questions for him? Senator Groene first. [LB883]

SENATOR GROENE: You say Minden is where you farm now? [LB883]

DAVID GRIMES: Yes. [LB883]

SENATOR GROENE: Is that an equalized district? Do they get any state aid? [LB883]

DAVID GRIMES: No. [LB883]

SENATOR GROENE: Thank you. [LB883]

SENATOR SULLIVAN: Senator Krist. [LB883]

SENATOR KRIST: What would be the guarantee that, if we either philosophically or realistically in LB883 started a foundation funding, in addition to what's going on in TEEOSA, what would be the guarantee that your county assessor, your school board, and your local taxes are going to go down? When you--this goes back to Senator Groene's question earlier--when you can tell me that any kind of funding like this will be met and received by the local control, local government as reducing your property tax, you've got my attention, but I don't think that's going to happen. [LB883]

DAVID GRIMES: Well, as I understand it, this bill wouldn't change the levy and the budget lids, would it? [LB883]

SENATOR KRIST: No. [LB883]

DAVID GRIMES: So those would still be in effect, controlling those increases in taxation. [LB883]

SENATOR KRIST: But the increase in the money will come from the state. [LB883]

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DAVID GRIMES: Correct, and would be...result in a decrease in the taxing that those districts would ask from the public for property taxes. [LB883]

SENATOR KRIST: And where is the state going to get the money? [LB883]

DAVID GRIMES: Well, our organization's policies, we stand in favor of broader-based support for government in Nebraska. And Nebraska Farm Bureau's policy would be in favor primarily, or first, in looking at increasing sales taxes and increasing sales taxes on services, products, and transactions that are not income-producing or generate income so as not to prevent growth or to stunt growth in the economy. [LB883]

SENATOR KRIST: Nonregressive taxes, I would say. [LB883]

DAVID GRIMES: Excuse me? [LB883]

SENATOR KRIST: Nonregressive-type taxes. [LB883]

DAVID GRIMES: Yes. [LB883]

SENATOR KRIST: So we're going to...we're supposed to tax more at the state level to put more into the problem of educating our...the issue of educating our children by increasing taxes in other places besides ag appropriations, ag farmland. That's going to solve the problem? [LB883]

DAVID GRIMES: What do you see as the problem? [LB883]

SENATOR KRIST: I don't think we have a solution to funding the schools correctly in this state unless we rely on property taxes, which is where we are, and you're supporting a bill that tells me as a state legislator that I need to put more money into the system from the state level, and I'm asking you where you think that money is going to come from. [LB883]

DAVID GRIMES: Sales taxes. [LB883]

SENATOR KRIST: That's fine. Thank you, appreciate that. [LB883]

DAVID GRIMES: Thank you. I'll finish. Part of the issue is we elect the State Legislature, too, to come up with solutions, and we all want to work together. You know, this isn't anything new. I mean state senators that were here 40, 30, 50 years ago were trying to figure this out. And I

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appreciate all you're doing. You've got to realize, you know, one of the things that the Governor is...I'm sorry, you want me to stop talking? I don't want to abuse. [LB883]

SENATOR SULLIVAN: Just finish up, please. [LB883]

DAVID GRIMES: I don't want to abuse, but...taxes can't increase forever. And I'm sorry. To be respectful, I agree with you, you know. But on the other hand, we expect a lot from schools. We expect a lot. We want a good education. And I'm not sure we can say that the needs are going to go down, you know. I don't think we can afford double spending, you know, in the next 10 or 15 years. I don't think we can do that. That's just...that's what I meant by not sustainable. [LB883]

SENATOR KRIST: We're both in agreement on that. [LB883]

DAVID GRIMES: Yeah. And I'm sorry. [LB883]

SENATOR KRIST: That's all right. [LB883]

SENATOR SULLIVAN: Thank you, Mr. Grimes. [LB883]

SENATOR MORFELD: I have a question. [LB883]

SENATOR SULLIVAN: Yes, Senator Morfeld. [LB883]

SENATOR MORFELD: Thank you. So would you support a sales tax on ag products then? [LB883]

DAVID GRIMES: What do you...define ag products and be more specific, please. [LB883]

SENATOR MORFELD: Ag products, I mean as broad as it can be defined. I mean would you support increased sales tax on ag? [LB883]

DAVID GRIMES: You mean like a sales tax when I'd sell my corn at the elevator? [LB883]

SENATOR MORFELD: That, or any... [LB883]

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DAVID GRIMES: No. No, and I'm sorry I tried to kind of define that. Anything that's a business transaction, income-producing, our organization would be opposed to that. [LB883]

SENATOR MORFELD: Yeah. You would be opposed to that. So you guys want an increase on sales tax, you'd be in support of an increase on sales tax, as long as it didn't affect ag. [LB883]

DAVID GRIMES: And there's...those things currently aren't taxed, things like feed and fuel and oil and, you know, like...and I'm sure you're aware. [LB883]

SENATOR MORFELD: Yeah, those types of things. Okay. So you're in support of increasing sales tax, broadening the tax base, but just not on ag-related things. [LB883]

DAVID GRIMES: That's one way, increasing sales tax. You could increase the percent. You could broaden it to other things that are currently exempted, but that would be... [LB883]

SENATOR MORFELD: But you would be opposed to the... [LB883]

DAVID GRIMES: If government is going to cost more in the future, we have to have a way to fund it. We're probably going to approach a crisis point with property taxes in rural areas, not for everybody. It's not a generic issue. You know, I think at home, my family, my wife and I, we can take care of it. But retired folks that maybe they're trying to live off their Social Security in a quarter section, a young farmer just starting out that's not very well capitalized, you know, there's a problem. And I'm sorry because, you know, we don't know what everybody else knows and understands. And I'd be happy to sit down with somebody. I'd be happy to have you to my farm and we could visit, maybe try to explain, show us some things. And I appreciate all you do, you know. And Farm Bureau is not against education. I'm not. I have a passion for it. I served too long on a school board not to. That's not our purpose. We don't...it's not that...we don't distrust local control, we don't distrust school board members. That's not the purpose of this. That's not why I'm here. [LB883]

SENATOR SULLIVAN: Thank you, Mr. Grimes, appreciate it. [LB883]

DAVID GRIMES: Thank you for letting me speak. I'm sorry I went so long. [LB883]

SENATOR SULLIVAN: Yeah, it's fine, it's fine. [LB883]

DAVID GRIMES: Thank you for that opportunity. [LB883]

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SENATOR SULLIVAN: Welcome. [LB883]

LAURA FIELD: Thank you. Good evening. My name is Laura Field, L-a-u-r-a F-i-e-l-d. And I apologize. I wasn't planning on testifying--our president, Barb, left to go to Dodge County to meet with our affiliates up there--and just quickly wanted to be on the record on behalf of Nebraska Cattlemen that we also support LB883. We certainly thank Senator Scheer for working on this issue to increase equitability within the school state aid formula. By providing base-level funding to all public schools, LB883 would reduce the reliance on property tax levies, a policy goal of our organization. You've heard us say that many times. As many farmers and ranchers have testified here today, the property tax burden on ag landowners has grown significantly over the last decade. We believe that heavy and disproportionate reliance on property taxes is unsustainable for the future of funding schools. And we certainly appreciate the various components of this bill and appreciate the work that you're doing. Thank you. [LB883]

SENATOR SULLIVAN: Thank you very much, Ms. Field. Any questions for her? Senator Groene. [LB883]

SENATOR GROENE: Do any of your members ever tell you, well, I pay income and sales taxes, too, and maybe I ought to get some of those back to help educate my children? [LB883]

LAURA FIELD: They...yeah. [LB883]

SENATOR GROENE: Is that a fairness issue, too, maybe? [LB883]

LAURA FIELD: We hear that often as we talk about the equal distribution of those taxes, yes. [LB883]

SENATOR GROENE: I hear about these rich farmers and ranchers. They make money, so I'm assuming they're paying income taxes and they go to the state and they're not getting it back in the state aid to education, one of our biggest expenses at the state level. Correct? [LB883]

LAURA FIELD: We do hear that from our members quite often. [LB883]

SENATOR GROENE: Thank you. [LB883]

SENATOR SULLIVAN: Any other questions? Thank you, Ms. Field. [LB883]



LAURA FIELD: Thank you. [LB883]

SENATOR SULLIVAN: Any other proponent testimony? Anyone wishing to speak in opposition to LB883? Welcome. [LB883]

BLANE McCANN: Thank you. Good evening, Madam Chair Sullivan and Education Committee members. My name is Blane McCann, B-l-a-n-e, M-c-C-a-n-n. I'm the superintendent of Westside Community Schools appearing today in opposition to LB883. Specifically, I will speak to the elimination of funding for option enrollment students and its impact on Westside. Of the 6,008 students who attend Westside Community Schools, 2,130 come from outside the district's boundaries and, of those, 800 are option students and the remainder are open-enrolled, which is a different program through the Learning Community. Last year we received over 700 requests from parents outside the district to attend Westside Community Schools. Westside Community Schools is a district of choice for many families who reside in adjacent school districts. If funding for open and/or option enrollment is decreased, we would have to evaluate whether we could afford to maintain these students in our district. We all know that mobility of students is detrimental to the students' academic growth, and a decrease in funding may ultimately lead to those students to return to their home districts, which would again reduce learning opportunities for all students in our district. Our facilities are at capacity. We do not have empty seats in our classrooms. We want you to understand that the cost of educating students who do not live within the Westside boundaries is as high or higher than for our resident students because some of our students are in need of extra resources. Examples of additional cost are when the district is forced to add classrooms and to hire teachers to maintain reasonable class size, especially when our district is seeing uneven internal growth. Further, the district incurs cost to increases in educating students who need special education services, ELL services, and for those who come to school less prepared to learn than many of their peers. Also, we have incurred cost of over \$1 million in transportation for open enrollment students since 2011 when the Learning Community began. Transportation is a high-growth area for our budget. Historically our facilities were built to educate over the 6,000 students now attending our schools, which provide school choice to the Omaha area, and these costs are real. In fact, the Westside Community School district just passed a \$79.9 million bond to update our K-8 facilities to accommodate all of our students, but also those who choose to attend District 66 from outside the district. For example, the middle school is receiving \$17 million renovation to increase square footage and to eliminate two portable classrooms for safety reasons. Additional renovation at the middle school will improve learning spaces to meet the needs of our students and the transformation of learning. We'll have better science classrooms. We'll have project-based learning opportunities, such as robotics and technology areas, which will increase the critical thinking and the problem-solving aspects of our students through authentic real-world learning opportunities. We are updating the safety and security of our buildings to ensure that all students have areas of refuge in the event of severe weather, enclosed and secure entry

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vestibules, and more efficient heating, ventilation, and air conditioning systems. Changing the option enrollment funding would change the game after we have made these commitments to our students. And I'd be happy to answer any questions you many have. [LB883]

SENATOR SULLIVAN: Thank you very much for your testimony. Any questions for him?  
Senator Groene. [LB883]

SENATOR GROENE: You have to accept open enrollment. Is that correct? [LB883]

BLANE McCANN: We do. [LB883]

SENATOR GROENE: But option you can limit how many you take? [LB883]

BLANE McCANN: We don't take any option enrollment students at this time because of the Learning Community. We still have option enrollment that are still within our district. [LB883]

SENATOR GROENE: But you could limit how many you took from other districts. Option enrollment is somebody from another district coming into yours. [LB883]

BLANE McCANN: Correct. [LB883]

SENATOR GROENE: But you could say, we can only take 100 students. [LB883]

BLANE McCANN: Sure, we always look at our space. That's exactly right. [LB883]

SENATOR GROENE: So you build new space for these option... [LB883]

BLANE McCANN: We're not building any new space. [LB883]

SENATOR GROENE: You're replacing though. [LB883]

BLANE McCANN: We're renovating our...we're not adding any classrooms to our district... [LB883]

SENATOR GROENE: It sounded earlier like you... [LB883]

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BLANE McCANN: ...other than to take care of portable. We have about seven portables, about...I think it's 8,000 square feet of classroom space that's outside of the building proper. And so we want to replace those. [LB883]

SENATOR GROENE: So right now you've limited your option students, you don't take any more. [LB883]

BLANE McCANN: Absolutely, yep. [LB883]

SENATOR GROENE: Thank you. [LB883]

SENATOR SULLIVAN: Any other questions? Thank you for your testimony. [LB883]

BLANE McCANN: Thank you. [LB883]

SENATOR SULLIVAN: Welcome back. [LB883]

SANDRA ROSENBOOM: (Exhibit 2) Thank you. Sorry to bother you a second time. 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, still, for the Crete Public Schools, but for this testimony I am testifying as a farmer in an equalized district with a general fund levy over \$1.04. Before equalization aid was started, Crete's general fund levy was over \$2. Equalization aid was started for districts like Crete. Levies came down and were more equal across the state. The profitability of a farm should not depend on the school district in which the land is located. Now, in 2016, the spread between the general fund levies has spread again with a range now of \$0.26 to over \$1.05. Farmland valuations have a lot to do with this, and you might see the attached list for a rank order of valuations in the state. Property taxes are a problem everywhere and everyone thinks that their property taxes are too high. However, they are the biggest problem in those districts that still have comparatively low amounts of valuation per student, which is all equalized districts. Crete has \$583,000 of valuation per student, or the ability to get \$5,830 on a \$1 levy, compared to other districts that have \$2 to \$6 million of valuation per student. This higher valuation gives those districts the ability to tax at a lower levy. This bill gives foundation aid to districts that have already low levies and would lower their levies even further, not something I'm against, but not quite fair to me as a taxpayer in a \$1.05 district. Since this foundation aid is an accountable receipt, equalized districts, like Crete, could not benefit and our property taxes would still be high. Additionally, the costs of this bill are proposed to be paid in part by ending the summer school allowance, among other things. This allowance is very important in helping districts provide summer school. Expanded learning opportunities are very important to closing

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the achievement gap. Many students in Crete benefit from this extra learning time, especially our ELL students and those who are below grade level. Thank you for considering opposition. Since I have just a moment, District 13 is my...the 13th-ranked district is my home district. My brother still farms in that district. Crete is number 225, about equal distance from the top and the bottom of the ranking. We pay \$65 an acre for dryland farm ground in southwest Lancaster County, which is not the best land in the county. My brother, on a quarter of irrigated land, perfectly level, with yield range at about 200-plus bushel an acre every year, also pays \$65 an acre. [LB883]

SENATOR SULLIVAN: Thank you, Ms. Rosenboom. Any questions for her? Senator Krist. [LB883]

SENATOR KRIST: Give a city boy a perspective, will you? How far apart are those two farms you just talked about? [LB883]

SANDRA ROSENBOOM: Roughly 100 miles. [LB883]

SENATOR KRIST: And obviously they're in two different counties... [LB883]

SANDRA ROSENBOOM: Right. [LB883]

SENATOR KRIST: ...two different county assessors. [LB883]

SANDRA ROSENBOOM: Yeah. [LB883]

SENATOR KRIST: Wonderful. [LB883]

SANDRA ROSENBOOM: The number 13 rank on here is South Central Unified in Clay County. [LB883]

SENATOR KRIST: Thank you. Thanks. [LB883]

SANDRA ROSENBOOM: The assessor really doesn't have anything to do with it. This is valuation. This is good land out in that part of the state. The valuation in Lancaster County has gone up 240 percent in ten years, theirs has gone up 180 percent in ten years, both too high an increase. [LB883]

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SENATOR SULLIVAN: Senator Groene. [LB883]

SENATOR GROENE: Just to clarify, Douglas County West, how can they have a 2 mill? I thought they were in one of the... [LB883]

SANDRA ROSENBOOM: It has to be a voting over a levy. I looked at that, too, and I could not explain that. I have not called them to check on it. They are part of the Learning Community, I think, and that may have something to do with it also. [LB883]

SENATOR GROENE: Then the Learning...well, you're not a Learning Community expert, neither am I. All right. [LB883]

SANDRA ROSENBOOM: Yeah. And this is general fund levy, so it can't be a bond. [LB883]

SENATOR SULLIVAN: So you've pointed out that property taxes are too high in a lot of places. [LB883]

SANDRA ROSENBOOM: Everywhere. [LB883]

SENATOR SULLIVAN: So when you look at that in terms of how we fund our schools with property taxes, what's the answer? [LB883]

SANDRA ROSENBOOM: My line for all the time that I've been doing this: it needs to be one-third from income, one-third from sales tax, and one-third from property tax. We are out of balance. It has to come from income and sales tax. The Farm Bureau quoted the statistic that it was 20, 25 percent from sales and 30-some from income. I have seen it the opposite, so I don't know which it is. My figures show that it was 25 from income and 33 from sales tax, meaning sales tax is about where the third should be if my numbers are correct. My personal opinion is we need to rescind the property...the income tax cuts that happened under Governor Heineman's reign. [LB883]

SENATOR SULLIVAN: Thank you, Ms. Rosenboom. Any questions? Senator Groene. [LB883]

SENATOR GROENE: But how do you make sure that every school district sits one-third, one-third, one-third? I'm sure there's a few school districts in here where it probably equals out to be about a one-third, one-third, one-third. [LB883]

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SANDRA ROSENBOOM: That would have to be a statewide average because there's such a vast difference in the state. You could also do it with going back to 20 percent of income tax being part of the formula, being rebated other than...rather than the 3 percent that's rebated back now. [LB883]

SENATOR GROENE: But Senator Scheer has something similar to that. [LB883]

SANDRA ROSENBOOM: And...but to give foundation aid to those districts that are taxing at 60, 70 cents but not giving it to those that are having to tax at a \$1.05 because we're a low-property district, doesn't seem to be equitable and fair. [LB883]

SENATOR GROENE: Could I make...but some of those districts with the low...they've got consolidated. They're dryland. And one year they might not have an income, with drought or hail, so you pay taxes.... [LB883]

SANDRA ROSENBOOM: I'm well aware of that. [LB883]

SENATOR GROENE: Individuals pay taxes, not (inaudible). So these guys might own some land, but they...it might be a big chunk of their income even at 30 and 50 mills. You ask a rancher. [LB883]

SANDRA ROSENBOOM: You've got it. Ours is a dryland farm. [LB883]

SENATOR GROENE: So you can't judge it by mill levy, can you, what they're paying? [LB883]

SANDRA ROSENBOOM: Yes. Well, any property tax is probably too high. Ours is a dryland farm. When we have a drought, I'm still paying \$1.05 and... [LB883]

SENATOR GROENE: And you go 100 miles west of you and they start taking three acres to make the same dryland corn crop as you do on one acre, maybe 200 miles. [LB883]

SANDRA ROSENBOOM: Yeah. I...a good year for us is 100 bushel an acre, and I think most dryland farms on a good year are going to do 100 an acre. [LB883]

SENATOR GROENE: You go northwest, northeast Nebraska, and you're talking 200. [LB883]

SANDRA ROSENBOOM: Um-hum, yeah. My brother is over 200, but it's irrigated. [LB883]

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SENATOR GROENE: I'm talking dryland. But anyway, we don't need to go there. Incomes vary by acre too. [LB883]

SANDRA ROSENBOOM: Um-hum, exactly. [LB883]

SENATOR SULLIVAN: (Exhibit 3) Any other questions? Thank you. As the next person is coming up, I failed to note that there was an additional letter of support for LB883 from Dennis Fujan, president of the Nebraska Soybean Association. Welcome. [LB883]

SUSAN BROOKS: (Exhibit 5) Thank you. Good evening, Chairwoman and members of the committee. My name is Susan Brooks, S-u-s-a-n B-r-o-o-k-s, and I am the director of fiscal affairs for Bellevue Public Schools. I'm also here on behalf of the Greater Nebraska Schools Association and its 26 member school districts. GNSA districts are responsible for the education of two-thirds of all students attending public schools in Nebraska. Both Bellevue Public Schools and GNSA strongly oppose LB883 due to its extreme cuts to our schools, the introduction of foundation aid, and its overall disequalizing impact. This bill attempts to create property tax relief through the reduction of calculated student formula need. It eliminates provisions that reduce calculated need by nearly \$42 million from equalized districts in order to create funding for foundation aid given to all districts. It then trades existing budget dollars generated by local levies with foundation aid dollars, but forces an additional budget reduction in order to do this. It sets up a double whammy. Essentially, it squelches an equalized school district's ability to provide an adequate education and implement programs that address our achievement gaps. For Bellevue Public Schools specifically, the net impact points to a \$3.5 million reduction of calculated need in '16-17, and a whopping \$9.6 million reduction in funding. That's about 10 percent of my total budget. As an example, in order to create a balanced budget under this bill, Bellevue Public Schools would need to eliminate more than 15 percent of our teaching staff. That's 100 teachers. Our ability to meet the needs of our 10,000 students would be crippled. Even worse is that in '17-18 we would experience another \$15 million reduction once the foundation aid is included as an accountable receipt. Given our recent cuts due to the loss of federal aid, an additional 25 percent funding cut would be catastrophic for our students and community. It would not be possible for us to adequately address the needs of our students, especially given the increasing rates of poverty and special education. In addition to the reduction in school year programs, LB883 also eliminates summer school aid. Without funding for summer school, BPS would have to eliminate this excellent opportunity for extended learning that currently serves more than 3,200 students. Senators, if you, as committee members, are committed to quality public education for all children in Nebraska, you will not allow this bill to move forward. Thank you, and I'll take any questions. [LB883]

SENATOR SULLIVAN: Thank you for your testimony. Any questions? [LB883]

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SENATOR GROENE: Yes. [LB883]

SENATOR SULLIVAN: Senator Groene. [LB883]

SENATOR GROENE: If they give you \$3,000, then you lower your property taxes \$3,000 a student, how do you lose \$9 million? [LB883]

SUSAN BROOKS: It's not in the foundation aid and the tax. That for Bellevue Public Schools is a wash. We're not a growing district. We have low valuation. We're up against \$1.05 already. That foundation aid is a complete wash, wouldn't help, wouldn't hurt. It doesn't matter. It's just one pot of money or another. That's not where the reduction is. [LB883]

SENATOR GROENE: So how do you lose...what part of it causes this... [LB883]

SUSAN BROOKS: The reduction is in the needs. Bellevue gets the averaging adjustment. We're a low spender. We have a low valuation. We're not a growing district. It's already very difficult and we're already kind of standing still. So this bill is a crippling prospect for us. [LB883]

SENATOR GROENE: Then I'll ask you. You've been in the business. I asked in the last hearing...we went from \$1.9 billion in funding of the schools ten years ago to \$3.1 billion. If you didn't get it, who is getting all that money? [LB883]

SUSAN BROOKS: Senator, I do not have a...well... [LB883]

SENATOR GROENE: I mean I'm not criticizing you. I'm just...somebody needs to answer that. [LB883]

SUSAN BROOKS: No, no, no, I...my feeling honestly is that it's all the things that we're required to do and we're asked to do, all the requirements that we have to stand up to. We've had to add assessment staff because of, you know, that aspect of where we've gone, which is necessary, but... [LB883]

SENATOR GROENE: Right. [LB883]

SUSAN BROOKS: ...it's not funded. Special ed is not funded. I mean it's funded but not...it's coming out of the general fund. I have \$15 million in nonfederal special ed programs. I'm getting \$6 million. [LB883]



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SENATOR GROENE: From the state? [LB883]

SUSAN BROOKS: Yes. The rest is coming from property tax. [LB883]

SENATOR GROENE: And that keeps growing for you. [LB883]

SUSAN BROOKS: Yes. And we're up against CIR. I think you're all aware of that. [LB883]

SENATOR GROENE: Yeah, but that's... [LB883]

SUSAN BROOKS: So we don't have...if we cannot keep up and we can't find the money...so right now, for next year, let me talk about next year if you don't mind. Bellevue Public Schools is looking at a \$500,000 increase. We gave... [LB883]

SENATOR GROENE: In salaries? [LB883]

SUSAN BROOKS: Excuse me? [LB883]

SENATOR GROENE: In salaries? [LB883]

SUSAN BROOKS: No... [LB883]

SENATOR GROENE: Oh. [LB883]

SUSAN BROOKS: ...in aid and property tax. Okay, we're also in the Learning Community. We're not a growing district so that's not helping us. But right now, as the formula stands, we're getting \$500,000. We gave our teachers a 1.9 percent increase last year. So in order to remain competitive in our array, we have to do better. And where are we getting that money from? Cash reserve and reallocating current money. I have to come up with... [LB883]

SENATOR GROENE: Just to clarify, you're getting \$500,000 of state equalization aid? Or what do you mean? [LB883]

SUSAN BROOKS: No, no, no, additional funds for next year. So in order to give a raise for next year, I need at least \$3 million. I'm only looking at an increase in total funding of \$500,000. So I have to go back into my budget, for \$2.5 million, to find that money. Somebody is not going to

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have a job; through attrition, you know, someone, some position is not going to get filled.  
[LB883]

SENATOR GROENE: Because I know... [LB883]

SUSAN BROOKS: Our class sizes... [LB883]

SENATOR GROENE: I know about the CIR, but I know a lot of people in a free enterprise system won't get any raise this year. [LB883]

SUSAN BROOKS: I understand that but we're up against... [LB883]

SENATOR GROENE: I know you're forced to, yeah. [LB883]

SUSAN BROOKS: We're up against state law and it doesn't matter if we have the money or not. We go to CIR and we lose, we've got to find it, so... [LB883]

SENATOR GROENE: Well, when I...when we have that bill, Senator Ebke and I, on getting rid of the CIR, I hope all you guys are in here testifying for it. [LB883]

SUSAN BROOKS: Well, I can't speak to that, but... [LB883]

SENATOR SULLIVAN: Any other questions? Senator Krist. [LB883]

SENATOR KRIST: You may not know the number, but you're unique in the fact that you have an incredible amount of students that are from military families. [LB883]

SUSAN BROOKS: Our percentage of military families has fallen down just about 30 percent.  
[LB883]

SENATOR KRIST: Okay, 30 percent of a relative number. You have how many people who are being educated in the Bellevue school system that come from Offutt or come from active-duty families? Do you know what that percentage is? [LB883]

SUSAN BROOKS: It's about 30 percent of our 10,100 students, so about 3,000. [LB883]

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SENATOR KRIST: Okay. And what federal funds follow those children into the school district? [LB883]

SUSAN BROOKS: We're...because we, Bellevue Public Schools, has fallen out of impact aid, highly impacted, we're getting \$2 million a year for those 3,000 students from the feds. That's where we are. [LB883]

SENATOR KRIST: That's it? [LB883]

SUSAN BROOKS: That's it. And we've dealt with those cuts. Bellevue's budget has stood still for the past three years. I've been there. This is my fourth year as their finance director. Our budget is not growing. [LB883]

SENATOR KRIST: Can we talk to our national leadership about that maybe? [LB883]

SUSAN BROOKS: You know, Ben Nelson was a great partner for Bellevue back in the day, and Bellevue did get a lot of money back in the day. But back in the day, Bellevue had 70 percent military kids. Now we're down to 30. We're low, highly impacted, which is at least 35 percent, so we're getting almost no money. [LB883]

SENATOR KRIST: Is that true with the special needs community as well for special ed programs? [LB883]

SUSAN BROOKS: I'm getting...my total income is \$2 million; about less than \$500,000 is for special-needs military kids. [LB883]

SENATOR KRIST: This is off the subject, but you need to go to Ashford or Fortenberry, whoever, because that's a ridiculous number. And I know that there are districts that I have...I'm familiar with on other military bases that are doing much better than you are across the... [LB883]

SUSAN BROOKS: Well, and, you know, that's... [LB883]

SENATOR KRIST: All right, thank you. [LB883]

SUSAN BROOKS: That's kind of a district decision, but... [LB883]

SENATOR KRIST: Yep, got it. [LB883]

SENATOR SULLIVAN: All right, any other questions for her? Thank you so much for your testimony. [LB883]

SUSAN BROOKS: Thank you. [LB883]

SENATOR SULLIVAN: Welcome. [LB883]

JASON BUCKINGHAM: (Exhibit 6) Well, I had down "good afternoon," but I think that's blown by, so we'll start with good evening, Chairman Sullivan and members of the Education Committee. My name is Jason Buckingham, J-a-s-o-n B-u-c-k-i-n-g-h-a-m. I am the business manager at Ralston Public Schools, and I appreciate the opportunity to appear before you today to speak on behalf of the students, staff, and the Ralston community. I appear before you today in opposition of LB883. The Ralston Public Schools understand the great difficulties facing the Legislature at this time in regards to the imbalance that exists in properly funding public education in our state. The current model of funding puts a heavy burden on property tax owners and specifically owners of agricultural land. We would like to see some adjustments made to the current funding mechanism, but we feel the proposals outlined in LB883 would have a negative impact on our district. Removing aid for option funding, summer school allowance, and the averaging adjustment would negatively impact our district. Option enrollment funding adjustments are one of the tools given to us by the Legislature to provide opportunities for school choice in our state. Currently nearly 30 percent of our students come from outside of our district boundaries. I can tell you with great confidence that our district not only takes pride in providing educational options to students and their parents, we also benefit from the additional dollars these students bring through net option funding. The ability to accept and be compensated for students who attend our district but do not live in our district allows our facilities to be fully utilized and allows our district to maintain its current level of staffing. Students from these diverse backgrounds choose Ralston Public Schools due to the opportunity and hope that we provide. The loss of option funding may prevent some districts, like ours, from readily accepting students, thus negatively affecting school choice. In addition to redistributing funds for option funding to foundation aid, we would be at risk for losing funding for summer school allowance. We currently provide summer school opportunities at nearly every grade level in our district. The services we provide range from extension activities for high-ability learners to remediation for our struggling learners, to orientation classes for incoming middle school students, to credit recovery or advancement for some of our high school students. Currently we use a combination of title funds and the summer school allowance to help us provide these educational opportunities for our students at no cost to our patrons. We are a district with high poverty, over 55 percent districtwide free and reduced lunch, and an ELL population of over 8 percent, thus we

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feel the loss of these funds would dramatically reduce our summer school attendance if we were required to start charging a fee. This would deprive our most at-risk students from continuing their education over the summer months. Redistribution of the summer school allowance would impair our ability to continue to offer the programs and services we currently provide. At this point, I would be happy to answer any questions you may have. [LB883]

SENATOR SULLIVAN: Thank you, Mr. Buckingham. Senator Baker. [LB883]

SENATOR BAKER: Thank you, Senator Sullivan. Mr. Buckingham, you indicated the loss of option funds some districts might not readily accept. But you don't have any choice if you have space. Is that not true? [LB883]

JASON BUCKINGHAM: Correct. We set... [LB883]

SENATOR BAKER: The students will still be there, just the funding would be gone. [LB883]

JASON BUCKINGHAM: Yep. We would make a commitment to the students that we currently have in place. [LB883]

SENATOR BAKER: But even as far as future option enrollments, there's no basis to say we don't think we can afford you. If there's space, you're required to take them, is that not true? [LB883]

JASON BUCKINGHAM: Under open enrollment we would be required to take them. [LB883]

SENATOR BAKER: Under option enrollment as well. [LB883]

JASON BUCKINGHAM: And under option enrollment we would have our limits set, and we are not at those limits based on our in-district students. [LB883]

SENATOR BAKER: Thank you. [LB883]

SENATOR SULLIVAN: Any other questions for Mr. Buckingham? Thank you for your testimony. Welcome back. [LB883]

TROY LOEFFELHOLZ: (Exhibit 7) Good evening. Thank you very much. My name is Troy Loeffelholz, T-r-o-y L-o-e-f-f-e-l-h-o-l-z. I'm the superintendent of Columbus Public Schools, but I am here today to represent STANCE. STANCE, as you've heard before, has 15 member

districts and we are testifying today in opposition to LB883. This organization has not taken a formal position on the concept of foundation aid. We do understand and empathize with Senator Scheer's intent to alleviate the strain on local property taxpayers. We do value in concept the notion of providing more state aid resources to a greater number of Nebraska school districts. However, we do champion good policy in that currently there are districts currently impacted by the equalization aid portion of the formula. Good policy would be to add dollars to the overall school funding mechanism, TEEOSA, and not count the funding as a receipt against those districts who are equalized. It should not be a watering down of the current allocation, but an increase in the overall funding available. We disagree with the additional committee to provide budgetary oversight, signifying a lack of trust in local elected officials who are our voluntary public servants. I think Senator Scheer had talked about it is appointed by the superintendent. For us it's adding another layer. We already get audited. We already have to send everything into the finance organizational services with NDE, so it's checked and double-checked as checks and balances. The actions of our boards only transpire as part of open meetings and annual budgets are published in advance and include public hearings prior to the adoption, so they are scrutinized. This bill also destroys the longstanding, time-honored practice of enrollment option funding, an allowance provided to school districts who have a net positive for option enrollees. These students are admitted based upon legally adopted board policies and in compliance with the state regulations governing these procedures. In a time which there has never been more fervent rhetoric promoting the concept of school choice in Nebraska, the enrollment option program stands as the hallmark means by which public school students and their families are encouraged to exercise school choice. Finally, the dollars proposed per student in Senator Scheer's bill do not provide adequate or sufficient resources to equitably assist all Nebraska schools. The bill as written also includes the elimination of other useful provisions in the existing state aid formula, including summer school funding, and the very means by which the myriad of Nebraska schools provide an extended school year. In conclusion, while STANCE districts value Senator Scheer's initiative to provoke a conversation around more equitable distribution of state resources to fund public education in Nebraska, we must sternly object to the means by which this would be carried out and urge your opposition to LB883. I'll be happy to take any questions. [LB883]

SENATOR SULLIVAN: Thank you, Mr. Loeffelholz. Any questions for him? [LB883]

TROY LOEFFELHOLZ: Not one? [LB883]

SENATOR SULLIVAN: Thank you. [LB883]

TROY LOEFFELHOLZ: Thank you very much. [LB883]

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SENATOR SULLIVAN: (Exhibits 4, 8) You bet. Anyone else wishing to speak in opposition to LB883? I would like to read into the record two letters of opposition: one from Amy Shane, superintendent of O'Neill Public Schools; and another from Corey Stutte from Hastings Public Schools. [LB883]

MANDY MIZERSKI: Senator, Amy Shane was a proponent. [LB883]

SENATOR SULLIVAN: Pardon? [LB883]

MANDY MIZERSKI: Amy Shane was a proponent. [LB883]

SENATOR SULLIVAN: Oh, I'm sorry, I'm sorry. I stand corrected. Amy Shane was a proponent. Okay. Neutral capacity. [LB883]

TIFFANY JOEKEL: Good evening, Senators. Tiffany Joekel with OpenSky Policy Institute; it's J-o-e-k-e-l. We're testifying in a neutral capacity this evening on LB883 primarily because we aren't able to fully model the impact of all of the provisions, and so, thus, don't want to take a full position on the bill. I'll speak to a few concepts that are included therein; however, you know, before we were able to fully support, oppose, or take a full position, we would want to see some full analysis. But I would say we're generally supportive of the concept of foundation aid that's included in Senator Scheer's bill; however, the clarifications I would like to make is that we think that should be new revenue and not taken from the existing state aid pot. And also we would generally be more supportive if it would be distributed in a way that's outside of resources so it would actually be a net benefit to all school districts. So the amount, \$1,500, provided to all students in the state outside of resources would probably be too expensive to ask the Legislature to advance, so maybe we have some concerns with the amount of foundation aid that would be provided but generally are supportive of the concept if it were provided outside of resources. We are generally supportive of eliminating the minimum levy adjustment. We think it distorts levy-setting incentives; and, in fact, when we run a scatter plot of levies, we do see a lot of levies hovering right around 95 cents, so we think that there is something happening there. But what we also like about eliminating the minimum levy adjustment is that that would reduce that adjustment being taken out of allocated income tax. And we think that allocated income tax inclusion in the formula, to the greatest extent that can be included, is really important, because what it functionally does is it expands the definition of resources in the school funding formula to include income as well as property. So that's something that we have looked at a lot, the allocated income tax component. And to the extent that we can make that more important in the funding formula, we think would be important. We have concerns about the net option funding provisions and the averaging adjustment primarily because of the way that would redistribute the current state aid systems. So again, to the extent that we are going to provide this foundation aid,

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we would support that being an entirely new investment of state dollars. But we do appreciate that Senator Scheer's bill includes a "hold harmless" step-down. So to the extent that the committee decides to advance anything that might result in significant loss of state funds to specific school districts, we would recommend that some sort of hold harmless or step-down provision is included. So with that, I'd be happy to answer any questions. [LB883]

SENATOR SULLIVAN: All right. Thank you very much for your testimony. [LB883]

TIFFANY JOEKEL: Sure. [LB883]

SENATOR SULLIVAN: Any questions? Thank you. [LB883]

TIFFANY JOEKEL: Thanks. [LB883]

SENATOR SULLIVAN: Welcome back. [LB883]

JON HABBEN: Hello again. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools Association. A lot of what I was going to say Tiffany said, so I can be pretty short. I had a concern as well with a total elimination of net option funding. I think that belies the history and the responsibility that at least I've always thought was part of supporting net option funding, particularly in the sense that when it started--and I have to say it was clear back when I was a principal, been awhile--when the program was started the idea was we were going to have these high-minded academic reasons and people would make these applications and everybody would tell the truth and so on and so forth. Well, here we are, many years later, and our history is people option for whatever reasons they choose to option. That's the way it is. It's a signature piece of choice in the state of Nebraska, and having a funding support I think is important for that. I also very strongly believe that in order for us to right the ship, as I would see it righted, we do need to get back to a direct aid-per-student component in order to make TEEOSA statewide policy. With that, I'll answer any questions. [LB883]

SENATOR SULLIVAN: Thank you, Mr. Habben. Any questions for him? Thank you very much. [LB883]

JON HABBEN: Thanks. [LB883]

SENATOR SULLIVAN: Anyone else in a neutral capacity? Senator Scheer. [LB883]



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SENATOR SCHEER: (Exhibit 9) Well, it's gone from good afternoon to good evening, but I'm leaving and you're not, so I'm going to make this as quickly as possible. Just wanted to run through...I do have an amendment, if you would like to pass that out, that would...clarifies the sections so that the bill would meet the intent and the technical concerns brought by legal counsel. The first section of the amendment provides for clarification for the aid for 2016-17. The second clarifies intent language. Fourth section, this is the technical concerns and wording, clarify the meanings. Just one thing, Senator Baker. You're absolutely correct. You have to take option enrollment students. But what you neglected to say was that each school district sets their own parameters for option enrollment students, so it is strictly up to that local district to decide if they want to take any additional students or not. It's nothing that the state mandates that they take option students. That's something that's determined on a local level, as it should be. So you're absolutely correct, they do have to take up to that level but, again, each local district determines that amount. As I said earlier, this is not a silver bullet. According to our information, upon implementation, 203 of the 245 school districts would be better off. Currently the TEEOSA provides 97 percent of the funding to 81 percent of the students. It still stays at about 96 percent, 95.5 percent of the funding. But after it's implemented, it would be 84 percent, so it gets it closer to equality as far as the taxing bases, as far as the student base. Senator Krist, in reference to you, you are absolutely right. This bill does not put any restraints on local school districts to control their expenditures. My other bill I considered as a companion bill to it. I did not put the two together. They certainly could be married, but I thought they'd be best as standalone bills. But in order for anything we do, and as much as I hate to say it, but if we don't do anything in relationship to cost escalations...and I understand students cost money and buildings cost money. But we have to do something. We don't have a lot of time to get it done, and I think we have to do something in helping those districts that their equalization has run out. No one has talked about the number of unequalized school districts. Right now I think we're at 159. My first year in the Legislature, three years ago, I remember working on TEEOSA with Senator Sullivan. We had 117. Over 40 school districts in three years have become unequalized. When you talk about a compounding or a tsunami, that means those 40 districts not only are now...they lost money from the state. They were equalized. So not only did they lose that, but those dollars were expenditures, so they had to raise their taxes to cover those expenditures. So it's the worst of both worlds for them. And in the last three years, I will tell you, farming hasn't been great, cattle and pork production have not been great. So, yes, indeed, you know, we can say they've done it to themselves, but that doesn't pay the bills. And if we are going to be true to ourselves, the original concept of state aid was not TEEOSA, it was TEEOSA and foundation. Every state that I can think of provides that. We're the loner again. I realize we're a Unicameral, but that doesn't mean we have to be the only one that always does something in the United States. We're at a critical point in the state. Mine might not be the answer. That's fine. But I would beg and urge you, if not mine, something. We really do need to put some type of a combination out in front of the floor. Let us make a determination. The floor deserves to have an option, an opportunity to discuss this important issue, it really does. Thank you. [LB883]

SENATOR SULLIVAN: Senator Krist. [LB883]

SENATOR KRIST: Quick comment, thanks for bringing the concept of foundation funding. My concern is that we can't reach into a magic hat and get another \$140 million. And so foundation is a great idea as long as everybody starts off on the same track. And then the TEEOSA formula really needs to be overhauled to make sure that poverty, which is one of our biggest issues, is addressed. But I think the concept of foundation needs to be reintroduced, and I thank you for bringing that forward. [LB883]

SENATOR SCHEER: You know, it's not a new concept, Senator, you're absolutely correct. And, yes, TEEOSA needs to probably be overhauled. Some things in TEEOSA probably outlived their usefulness. There are probably certain things in there...there are probably things that have not been addressed in the current TEEOSA that quite probably could, and there may be some things that are in there right now, such as poverty, that perhaps we're not compensating appropriately to the districts that have that. I'll be the first to admit that. [LB883]

SENATOR KRIST: My only follow-up is, and I hope we don't get into it, but my only follow-up to that is that I've noticed in my short time on the Education Committee, in really focusing on this, everybody who is using TEEOSA and is using it wisely doesn't want to change it, and everybody who has no access to all of the formula tweaks and gouges wants to have some kind of formula back. That tells me that there's a whole lot of people, in terms of your closing as well, a whole lot of people that are losing in this operation and it's the kids. When we talk about \$3,000 foundation, it doesn't make any difference whether it's your kid, my kid, a north Omaha kid, a kid in Chadron. It's \$3,000 a kid. That's the important thing. Thank you, Senator. [LB883]

SENATOR SCHEER: Thank you, Senator. [LB883]

SENATOR SULLIVAN: Senator Groene...oh, Senator Baker first. [LB883]

SENATOR GROENE: I think Senator Baker was before me. [LB883]

SENATOR BAKER: Thank you. And I would agree that foundation aid for all students would be good, but I don't want to have that out of TEEOSA. It needs to be...equalization needs to remain. I don't want...I shouldn't say I don't want equalization. Equalization needs to remain, so it needs to be another revenue source. And lastly, I need to correct you on option enrollment. A district can't decide on their own. You have a capacity and you project your numbers. You can't make up numbers because, if you get an appeal hearing for someone you've denied option enrollment to,

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and if your numbers are phony, the student goes in, so the district doesn't have the ability to say, no, we don't want to take option students. [LB883]

SENATOR SCHEER: Well, Senator, not to take issue, but each school district gets to set its own teacher-student ratio. And by setting that, you do control the amount of students that would come into it. But in reference to your comment that it should be new money, and I don't disagree, the first part, utilizing of the foundation aid, the first year, year and a half, does use part of the net option funding. That clearly is. But I would also say that the three, four, and fifth year, those are all new dollars. I mean this is not magic. I'm not a magician. You know, I found a way to try to utilize existing funds to start a program that at some point in time can be of real benefit to the state of Nebraska, the students in Nebraska, and school districts. [LB883]

SENATOR SULLIVAN: Senator Groene. [LB883]

SENATOR GROENE: Correct me if I'm wrong. We base everything off needs. So the needs are there. Let's say it's \$3 billion. What has happened is, because of valuations, more is coming out of the property taxpayer's pocket than the income and sales tax, right? [LB883]

SENATOR SCHEER: Yes. [LB883]

SENATOR GROENE: So the reality is the state's just been lucky that we've had this runup in valuations in ag land and it's pushed their responsibility onto the property taxpayer. So the actual...this Legislature has raised property tax rates without taking action. [LB883]

SENATOR SCHEER: Well, I suppose that would be true. I guess I would just make the comment that I would consider the state being very, very fortunate, to the extent that we are as healthy as we have been, because if we hit some type of a larger recessionary item that would hit the ag industry...we were fortunate the last time we had a recession it didn't hit agriculture in Nebraska. It was sort of the stalwart that kept the state going. If we had another one that also affects agriculture and those values, those land values, start to come down, folks, we haven't got a big enough checkbook to take care of the problems that would exist then. I mean we really don't. [LB883]

SENATOR GROENE: But we've shifted... [LB883]

SENATOR SCHEER: We have. [LB883]

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SENATOR GROENE: ...unrelated to income based on property ownership. We've shifted taxes, burden to the property taxpayer. [LB883]

SENATOR SCHEER: Well, I think, Senator...and I want to get out of here because you guys still have another bill. [LB883]

SENATOR GROENE: Yeah. All right. That's fine. [LB883]

SENATOR SCHEER: But I would just simply close with the fact that if you look again at agriculture in ten years ago, agriculture, and this is based on the property tax that was just released in January that Senator Sullivan and I serve on the Revenue Committee, ten years ago of property tax, the total amount, agricultural ground paid about 19, 18.9, 19 percent of the total. Is that right or wrong? I don't know. But this year, as I recall, and Senator Sullivan can correct me, I think it was 32 or 33 and some change. So that is a dramatic shift in ten years' time that the additional dollars are going out of the agricultural pocket. When times are really great, I don't think, you didn't hear anybody complaining, but as they started to slide down into property, so it did create a problem. And I'll shut up, but I do appreciate your time and I want to get out of here because you've got one left. [LB883]

SENATOR SULLIVAN: Any other questions for Senator Scheer? All right, thank you very much. [LB883]

SENATOR SCHEER: Thank you so much. I appreciate it and I'll think of you on my way home. [LB883]

SENATOR SULLIVAN: All right, this closes the hearing on LB883 and we will go on to the next one. I'll turn it over to Senator Kolowski. [LB883]

SENATOR KOLOWSKI: Thank you, Senator Sullivan. And now we'll move to LB1063. Welcome, Senator Sullivan. [LB1063]

SENATOR SULLIVAN: (Exhibit 1) Thank you, Senator Kolowski and members of the committee. And I just want to say, in general, thank you for hanging in there today. I really appreciate your attentiveness and involvement in this. If you recall what I said when I introduced LB959, I thought that you should...we achieve property tax relief by going down two tracks. One was to control spending, but the other certainly was to add more state support to education, and that's what LB1063 does. You've heard a lot about the imbalance and to me there is a certain level of responsibility that we as a state have to fulfilling that constitutional responsibility. When,

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and I think Senator Scheer alluded to this, when over two-thirds of our school districts receive no equalization aid, and with this aid that's going to be certified in a few weeks for 2016-17, there are 73 districts that will receive no support at all from TEEOSA, although they will admittedly continue to receive a limited amount from special education reimbursements and other sources, such as the property tax credit homestead apportionment. So I think that's enough for us to take notice of. And I have to admit that even though this bill has potential to add dollars to nearly every district, you're going to hear some opposition. And the opponents will probably say that this moves us away from equalization. Well, yes, but you've also heard from a previous bill that equalization in my mind should be part of it. It doesn't need to be the whole. And I think we have, as I said, a responsibility to provide an education for our children in the common schools, no matter where they reside. The other issue with this is this bill carries a pretty significant price tag, and I offer no dedicated revenue source. It's going to be coming from individual income tax receipts. But these are some of the decisions that we as policymakers need to make. So I'm going to go into the details of LB1063. And if there is a page here, could you pass this out, please. [LB1063]

SENATOR KOLOWSKI: Senator Sullivan, just for clarification, did you say 173 or 73? [LB1063]

SENATOR SULLIVAN: 73. [LB1063]

SENATOR KOLOWSKI: Just 73. Thank you. [LB1063]

SENATOR SULLIVAN: So first of all, just to go through what the major components of LB1063 are. First of all, all the changes that I'm proposing would begin with the 2017-18 calculation of state aid, so it doesn't impact the aid that will be certified in a few weeks for 2016-17 school year. The real nuts and bolts of LB1063 is that it proposes to replace the allocated income tax distribution with what I'm calling student support aid, or my version of what you've heard referred to as foundation aid. And this student support aid would equal a percentage of the statewide resident income taxes, and that amount would be divided equally for all formula students all across the state. And we would do this on...we would move into it incrementally. For 2017-18, it would be 3 percent of the statewide resident income taxes would be devoted to this statewide student support, then in 2018-19, 4 percent, and then in 2020 (sic) and thereafter, 5 percent. That happens, but then the other component of this is that the maximum levy for each district would be decreased to reflect the amount of student support aid that the district receives. So in other words, the district receives the statewide student support and the total amount would be calculated and the maximum levy would go down accordingly by that amount. And so...and I'm not here to explain exactly how the property tax administrator and the county assessors would handle this, but suffice to say we could make it happen through this legislation. And

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between the property tax administrator and the county assessors, we would figure out how this would be certified to the county clerks who would then in turn calculate the reductions. And then furthermore, the student support that goes out to every student in every school district would not count as a formula resource. You've heard a lot of discussions about net option funding, this is another component of LB1063. What I propose to do is reduce the net option funding to 85 percent of the difference between that statewide average basic funding per formula student minus that statewide support that I'm proposing go out, so that there really literally is no double-dipping so to speak. And of course in doing this we would no longer pay out the net option funding through the allocated income tax rebate, because it goes away. We're using instead the statewide individual income tax receipts or a portion thereof. The other two components of LB1063 you've actually heard mentioned of in other bills, I'm proposing to eliminate the minimum levy adjustment and the levy criteria for averaging adjustment, both of which I think sort of encourage, if you will, districts to levy up to capture additional state aid. With the minimum levy adjustment, it basically says right now if you are not levied at 95 cents, you're going to lose some of your state aid. With the averaging adjustment criteria, I'm not proposing to get rid of averaging adjustment as such, I'm just saying that the levy criteria that says okay, you're going to get even more if you levy up higher, that's the criteria that goes away. The averaging adjustment still stays in place if the school district, with 900 or more formula students, if their basic funding per student is less than the averaging adjustment threshold. And as I said, this simply says to school boards: make decisions on what's really needed for your district rather than either using it as an excuse, the state makes us levy up, or simply doing that to capture more state aid. So in essence, those are the components of LB1063. I think it just for a variety of reasons...it speaks to property tax relief, it speaks to the fact that we have those students in two-thirds of our school districts not really having any investment by the state to support their education. It just gives us pause to look at these features and I think we are at the time when it's necessary to do that.  
[LB1063]

SENATOR KOLOWSKI: Thank you, Senator Sullivan. Any questions from senators? Senator Krist, please. [LB1063]

SENATOR KRIST: Clarification on the fiscal note, the \$36,000 is consistent with 2017-18 from our own legislative fiscal note as it is from the Department of Education...is not consistent, I'm sorry, with what the Department of Education would appear to put in. I'd be interested in hearing that, if not now in Exec. The two major counties that always weigh in, Lancaster and Douglas, are substantially different. I would think that some of those--the differences--are a lack of understanding on how the implementation of who does what. In Douglas County's case, they think that they're going to have additional unfunded mandates on their county clerks I guess. Is that... [LB1063]

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SENATOR SULLIVAN: I'm not sure. I really can't answer that, Senator Krist, so I'm going to look at that a little more carefully. I might be able to respond more accurately at my closing. [LB1063]

SENATOR KRIST: Yeah. Just make that for public record. [LB1063]

SENATOR SULLIVAN: Sure. [LB1063]

SENATOR KRIST: I mean, you don't even have to do it then, we can do it in Exec as well. And then the big difference is that, as I understand it, it's just for clarification, there are options out there where school districts may elect not to do something or to do something because they will lose state aid. This isn't optional in statute, you're not saying they don't have to play. They have to play, and therefore that's how that formula works in terms of the state paying in. [LB1063]

SENATOR SULLIVAN: No, they still have the option. It's just that they choose. I mean, they admittedly...they want to leverage all components of the current formula as best they can and minimum levy adjustment, the levy criteria of averaging adjustment, makes it possible for them to do that. [LB1063]

SENATOR KRIST: Right. [LB1063]

SENATOR SULLIVAN: I'm not going to argue with that. But it's just that I want to remove those two things that I think allows them to do that. [LB1063]

SENATOR KRIST: They're removed, they don't have an option to either do a levy adjustment... [LB1063]

SENATOR SULLIVAN: Right, right. Yeah. [LB1063]

SENATOR KRIST: Okay, that's just to be clear. And what you're saying is if there's no change in the learning community, the common levy is gone there too. [LB1063]

SENATOR SULLIVAN: No. [LB1063]

SENATOR KRIST: The common levy stays in the learning community. [LB1063]

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SENATOR SULLIVAN: Unless something...yes. That's a different story, different subject. [LB1063]

SENATOR KRIST: Okay, thanks. [LB1063]

SENATOR KOLOWSKI: Senator Baker, please. [LB1063]

SENATOR BAKER: Thank you. What do you look for in the way of an amount for people support? [LB1063]

SENATOR SULLIVAN: Not very much, about \$300 per student. [LB1063]

SENATOR BAKER: Okay. All right. You know, I like a lot of parts of this. You know, some of the same objectives to cutting option funding so... [LB1063]

SENATOR SULLIVAN: But we're not getting rid of it. [LB1063]

SENATOR BAKER: You're not getting rid of it, but it's 85 percent. [LB1063]

SENATOR SULLIVAN: Yes, reining it in just a little. Yes. [LB1063]

SENATOR BAKER: Less harsh than the other one, but still not quite there. [LB1063]

SENATOR SULLIVAN: But taking into consideration that they're also getting that statewide student support, so (inaudible). [LB1063]

SENATOR BAKER: But that would also then come off, because whatever statewide support is, it would have to come off the taxes so that that effect was...district would have to spend would be the 15 percent. [LB1063]

SENATOR SULLIVAN: Yes. [LB1063]

SENATOR BAKER: You know, if it's say \$10,000 per pupil, because \$15,000 plus your \$300 they'd be having some less. [LB1063]

SENATOR SULLIVAN: Yes. [LB1063]



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SENATOR BAKER: But I like many parts of it, so thank you. [LB1063]

SENATOR KOLOWSKI: Senator Groene, please. [LB1063]

SENATOR GROENE: When you say 73 school districts get no money, you're talking down to the last cent where they don't get any income tax allotment either? But as far as equalization aid, the last I heard it was going to be around 170 school districts that wouldn't get any equalized aid. [LB1063]

SENATOR SULLIVAN: Equalization aid. But equalization aid is part of the TEEOSA, and so what I'm saying is if then there are 73 districts that get no TEEOSA support. [LB1063]

SENATOR GROENE: No income tax allotment probably, because equalization aid is 85 percent to 90 percent of all aid. [LB1063]

SENATOR SULLIVAN: Right, right. [LB1063]

SENATOR GROENE: And then I like your 85 percent, because economies of size, if you've got an empty chair there and you're getting 85 cents on \$1.00. What you did for the student right to sit right next to them, that sounds pretty fair to me when the electrical bill and everything else is fine. All right, thank you. [LB1063]

SENATOR KOLOWSKI: Any other questions, please? Seeing none, we will move on. Could we have the proponents of this bill, LB1063, please come forward? Dr. Habben, welcome back. [LB1063]

JON HABBEN: Thank you, Senator Kolowski, members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools Association. A lot of things this afternoon and early evening. And I'm glad, because I think to just sit here and assume that all is fine and it will all wash away is a mistake. I appreciate the discussion when it begins to consider direct aid per student, I appreciate the discussion when it eliminates the minimum levy. I think the net option funding, that's an interesting one. And here's maybe something to consider: right now we're using the statewide average cost per student, it's just under \$9,000, and that's what a net option student is; but in a school district who only has a \$7,000 average spending per student and a school district that has a \$13,000 average spending per student, does the statewide average spending per student fit them both? You know, maybe that's a question that needs to be part of the discussion too. But I do believe I share Senator Baker's concern, that net option funding is not something to go away. I just really believe that it's not only a philosophical basis for net

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option funding, it's a practical cost basis. Deciding the level, that's what you do. But I do appreciate this bill and I think it adds to the discussion. And I hope that the discussion includes a lot of the things that you've been hearing and I hope we see some results that maybe we're not all smiling, but at the same time we're finding focus in addressing...whether it's LB959, LB958, LB882, LB883, LB1063, and so on. There's a lot to be considered here. And I'm like everybody else, wouldn't it be nice not to be discussing this every single year? That would be a great goal. So anyway, I don't have much to offer other than support of the concepts, and I hope they're in the discussion. And I appreciate Senator Sullivan's work on all of this, and all of yours. Thank you very much. [LB1063]

SENATOR KOLOWSKI: Questions for Dr. Habben, please? Seeing none, thank you very much. [LB1063]

JON HABBEN: Thanks. [LB1063]

SENATOR KOLOWSKI: Additional proponents? Yes, sir. Welcome back. [LB1063]

DAVID GRIMES: (Exhibit 2) Thank you. I'm David Grimes, D-a-v-i-d G-r-i-m-e-s, I'm a farmer and a resident of Kearney County, live near Minden, Nebraska. I'm here this evening to quickly represent Nebraska Farm Bureau. I'm not going to say too much, thank you for allowing me to say quite a bit the last time I was here. But I just wanted to speak in favor of Senator Sullivan's bill and thank her for her efforts. The Farm Bureau has intentionally tried to kind of talk in general terms this afternoon and this evening about the four bills that we've testified in favor of and in support of. And it's our hope that the committee and the Legislature can work with the ideas that have been presented and pick out maybe the best parts of them and to come up with a tweak, an adjustment, a change in this way Nebraska finances and funds and provides funding for public education, and to also provide some meaningful property tax relief. We appreciate all you do, you're all underpaid, we want to thank you for your service. It is really a sacrifice that we appreciate. Maybe the last thing I'll express is that when I talk to other farmers in different parts of Nebraska, and rural residents, there's just almost a feeling of resignation that there's just not a recognition and just not that people really care about helping with property taxes right now. Almost an attitude that what's the use, they're not going to do anything anyway. And it's best to make changes in an orderly fashion, it's best to make changes before things are a problem. You know, property taxes...I'm sorry, I'm talking too long. Property taxes are such a level, dependable, predictable, easy way to fund government that it's hard not to use them when you're providing services. And when I was on the school board every year when the valuation went up and we went ahead and prioritized what we had to use for the increased funds, I'd always say you know, I just don't think this will work forever, I just can't. And I've been wrong every year, but I still think the time is coming and maybe it's coming here pretty soon, when those property taxes

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aren't going to provide that added revenue every year. And this isn't just a rural problem, because we're a whole state and it trickles over and spreads over. Thank you for your courtesy in letting me speak this afternoon. The good news is I'm going home tomorrow and you won't see me again. So thank you again, God bless you. [LB1063]

SENATOR KOLOWSKI: Thank you, Mr. Grimes. Any questions? Hold on, please. Any questions... [LB1063]

DAVID GRIMES: I'm sorry, I forgot about that. I assumed you wanted to get rid of me quicker. [LB1063]

SENATOR KOLOWSKI: Seeing none, thank you very much, sir. [LB1063]

DAVID GRIMES: Thank you. Excuse me for trying to leave. [LB1063]

SENATOR KOLOWSKI: No problem. Additional proponents, please. [LB1063]

ROGER BRANDT: I don't have a lot to say. I think it's... [LB1063]

SENATOR KOLOWSKI: Your name again, sir? Thank you. [LB1063]

ROGER BRANDT: Oh, I'm sorry. I did it again. Roger Brandt, R-o-g-e-r B-r-a-n-d-t, from northeast Nebraska. I think the state aid that Senator Sullivan is saying...type of state aid, I may not be saying it right, is a way that we all should get something per student. And I think it's just a way to help, but I will say...I think she said about the double-dipping, I agree if they get some of the state aid, they probably shouldn't be getting it out of property taxes along with that. So one way or the other. That's all I have to say. [LB1063]

SENATOR KOLOWSKI: Any questions for Mr. Brandt, please? Senator. [LB1063]

SENATOR GROENE: Is your school district equalized? [LB1063]

ROGER BRANDT: No, they are not. [LB1063]

SENATOR GROENE: Did they...how long ago did they lose it, do you know? [LB1063]

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ROGER BRANDT: Just last year. This year is the first year. [LB1063]

SENATOR GROENE: So do you think maybe they could have lowered their mill levies sooner, as good management, if they wouldn't have had that minimum levy? [LB1063]

ROGER BRANDT: Yes, because last year they were getting state aid? [LB1063]

SENATOR GROENE: Just enough to tempt them? [LB1063]

ROGER BRANDT: And they raised our property tax...or took all of our valuation. They took a lot of money. [LB1063]

SENATOR GROENE: What did they drop it to after you lost state aid? The mill levy. [LB1063]

ROGER BRANDT: The mill levy, it just about maxed out for this year. [LB1063]

SENATOR GROENE: Even their \$1.05... [LB1063]

ROGER BRANDT: They took the valuation. Last year it was less than the year before. I think my land was about 11 percent, so they took all the valuation, almost all the mill levy also. I don't have it in front of me...one... [LB1063]

SENATOR GROENE: So you're paying a higher levy and you still lost your state aid. [LB1063]

ROGER BRANDT: Yep, they took it all. They made up for it with our money, our property tax. [LB1063]

SENATOR GROENE: Thank you. You're getting a doubly whammy there. At least the other people paying \$1.05 get some state aid. [LB1063]

ROGER BRANDT: Yes. That's why I'm really upset over this. [LB1063]

SENATOR KOLOWSKI: Were you over \$1 on that, sir, \$1.05? Where were you? [LB1063]

ROGER BRANDT: Yes. I think pretty close to \$1.05. I mean, I could be wrong. [LB1063]

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SENATOR KOLOWSKI: Probably on the sheets we received earlier. [LB1063]

ROGER BRANDT: Yes. I gave to all you senators when I was here in January. I think all those was in that pamphlet in the early part of January. It should have what the valuation was. [LB1063]

SENATOR KOLOWSKI: And the school district name again? [LB1063]

ROGER BRANDT: Wayne Community Schools. [LB1063]

SENATOR KOLOWSKI: Wayne Community, thank you. Additional questions for Mr. Brandt, please? Thank you very much, sir. [LB1063]

ROGER BRANDT: Thank you, I'll be out of here. You take your time. [LB1063]

SENATOR KOLOWSKI: Additional proponents, please? Evening. [LB1063]

TIM HRUZA: (Exhibit 3) Good evening. Vice Chair Kolowski, members of the Education Committee, my name is Tim Hruza, that's T-i-m H-r-u-z-a. I am legal counsel for the Lincoln Independent Business Association. I've got a written statement from our board of directors that I'm passing around. I'm going to try to shorten up my comments here. We appear today in support of LB1063. One of the things in a specific aspect of LB1063, which is the removal of the levy rate component of the averaging adjustment formula. And I had appeared before this committee at the joint hearing with the Revenue Committee back in November, and asked the committee to take a look at this possible change. One of the things that we've seen in Lincoln, and I don't know if it's been happening in other places, but it's been alluded to a few times, and I think Senator Sullivan discussed this earlier too, but the way the formula currently works is it provides a bit of an incentive to keep the maximum rate, even when you've got a opportunity to provide some property tax relief. We saw that this fall at LPS, where we maintained our maximum levy. One of the reasons that we were given by administration was the threat of the reduced state aid, and I think the number I gave to you in the fall that came from LPS spokespersons was that even a 1.5 cent reduction result in lost state aid of \$325,000...we talked about it earlier today in a previous hearing. The school district put \$10 million into a savings account to add to their reserve fund this year, we think that some of that money could have been used or should have at least been considered very strongly to be used for taxpayer relief. It wasn't, and a lot of the reason that we were given was this lost thread of the state aid. We think this works to help removed that potential incentive to maintain a high property tax levy, particularly in times when we saw large valuation increases like we did this year. We support that

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aspect of Senator Sullivan's bill and we thank her for bringing it forward. I'd be happy to answer any questions you might have. [LB1063]

SENATOR KOLOWSKI: Yes, Senator Pansing Brooks. [LB1063]

SENATOR PANSING BROOKS: Thank you for coming, Mr. Hruza. What amount does LIBA believe is acceptable for LPS to put into their reserve? [LB1063]

TIM HRUZA: I don't know if we necessarily have a specific target. I think that that's going to depend on each budget year. And this year, what we had gone to LPS and asked for was a 3 cent reduction. I think that, if my calculations are right, that 3 cents reduction would have allowed LPS to place about \$4 million in additional funds towards its cash reserve. Dr. Standish obviously knows more than I will, but I think the last time I looked at the budget book I think the current reserve fund was somewhere in the \$78 million range, and I'd be happy to double check that for you. I don't think it's necessarily a problem with adding to the reserves that we have, we just think that as opportunities arise where we had a more than 6 percent valuation increase...I believe the budget was built around right under or right at the 6 percent, but we ended up being just a little bit over for the district. We need to continue to look for opportunities to provide tax relief. We feel like this particular component of the averaging adjustment just provides an incentive that doesn't allow our school board to be receptive to the needs of taxpayers when we could look at that, if that makes sense. [LB1063]

SENATOR PANSING BROOKS: Thank you. [LB1063]

SENATOR KOLOWSKI: Senator Schnoor. [LB1063]

SENATOR SCHNOOR: You said you levied \$1.05 because you thought state aid was going to go down. Are you talking about you were thinking in the next year ahead it was going to go down? [LB1063]

TIM HRUZA: Well, during our discussions with LPS--Lincoln Public Schools--one of the things that we repeatedly got as one of the reasons why we shouldn't necessarily reduce the levy...and admittedly, the \$10 million in the savings account, we believe some of that money should have gone back to taxpayers. But the other component, the two arguments I guess or the two basic reasons, motivations from LPS that we got were number one, the reduction in the levy amount would reduce state aid for this upcoming year and then in future years as well, and the example that we were able to get from LPS was that a 1.5 cent reduction would result in about \$325,000 a year in lost state aid for future years. The other component that I think that we heard from LPS

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was that if we didn't levy at the maximum amount we would also have repercussions into future years, based on the reduced amount of state aid that was coming back. As far as our support of LB1063, we like the idea of removing the averaging adjustment component that looks at the tax levy rate, just because it takes away that incentive to maintain the maximum levy in years where you have a valuation increase that would allow you to come back even just a few cents, give taxpayers a little bit of relief, allow them to keep a little bit more money in their pockets, rather than using that threat of lost funding to justify maintaining the levy, even if the school district doesn't necessarily need the funds in that current year. A school district could always come back and raise its levy then if it needed the funding for future expenses, but when it doesn't need it in the current year we just feel like that's a really bad incentive to give to the taxing authority. [LB1063]

SENATOR SCHNOOR: Okay, so back to the budgeting. If you...you said you were budgeting because you thought state aid was going to go down for that year, but yet isn't state aid certified before you do your budget? [LB1063]

TIM HRUZA: Well, to be clear, this is information that we were given from LPS. And maybe so that you understand I guess my role in it, I represent business members in the Lincoln community. We're a business member organization of around 1,300--a little more than 1,300 members. We more or less lobby our school board on these types of funding issues. And so as far as the state aid formula working on their end, I got to tell you we rely on them for those answers. And the best I can give you is the numbers that we were given when we asked those questions. [LB1063]

SENATOR SCHNOOR: But I guess that's what raises a lot of questions then about spending with schools. [LB1063]

TIM HRUZA: Sure. [LB1063]

SENATOR KOLOWSKI: Any additional questions? Yes, Senator, please. [LB1063]

SENATOR GROENE: You're talking about the averaging adjustment where they got to be \$1.04 or \$1.05 to keep their averaging adjustment? [LB1063]

TIM HRUZA: That's right, yes. [LB1063]

SENATOR GROENE: Because if it was just equalization aid, you could go down to 95 cents without any excuses and still keep your equalization aid. There's two separate levies. [LB1063]

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TIM HRUZA: Yes. Yeah and like I said, the component we're talking about is that averaging adjustment that would reduce the amount of aid that you'd be eligible for. [LB1063]

SENATOR GROENE: In North Platte we can't get anybody in the business community to run for school board. Six positions, the last three were filled by appointment, and I guess who gets appointed, somebody in the education field background. Do you think, as a businessman, you might consider running for school board if you knew you could control the budget and you could control the mill levy, because there was no minimum levy and you could push for efficient operation at that school? Or do you see any good reason for a minimum levy? [LB1063]

TIM HRUZA: Are you talking about the overall, the 95 cent levy? [LB1063]

SENATOR GROENE: Well, you got to stay at 95 cents or you lose state aid. Or you got to stay at \$1.05 to keep all your averaging adjustment. [LB1063]

TIM HRUZA: In my role at LIBA, I don't know if I would be terribly willing to comment on that. We've been at \$1.05 for a while is my understanding. [LB1063]

SENATOR GROENE: No, I'm talking about a businessman running for school board. Do you see any incentive to run for school board? [LB1063]

TIM HRUZA: I think that...if what you're getting at is that the 95 cent levy incentivizes, it kind of ties the hands of the school board. I think that we've seen that in how the averaging adjustment has affected some of the decisions that are made here in Lincoln. And I would not be surprised if that has a larger impact on some of the other districts that are dealing with that, flirting with that 95 percent minimum. [LB1063]

SENATOR GROENE: Thank you. [LB1063]

SENATOR KOLOWSKI: Anyone else, please? Mr. Hruza, thank you very much. [LB1063]

TIM HRUZA: Thank you for your time. [LB1063]

SENATOR KOLOWSKI: (Exhibit 4, 5) Any other proponents at this time, please? Seeing none, we have some letters for the record on proponents: Barb Cooksley, president of the Nebraska Cattlemen; and Dennis Fujan, president of Nebraska Soybean Association as well. And now opponents, please, to the bill. Any opponents? Welcome back again. [LB1063]



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VIRGIL HARDEN: Well, thank you. For the record, Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n, this time just on behalf of Grand Island Public Schools. I'll start off with a little bit of philosophy. There's nothing more unequal as equal treatment of disequal (sic) people. And if you know your US history, you'd know that Thomas Jefferson said that. So the reason I say that to you is I've been in the position to work in the school district--a very small, rural school district that had nothing but ag land. And believe it or not, even though it was a small district, I would much rather rely on local resources than on the state, because of bills like LB1063, where it's a total dismantling of TEEOSA. Right now obviously I work for Grand Island, sixth largest school district in the state, we're the third largest user of TEEOSA. If you don't think the needs of our student body, I've shared the numbers with you earlier in earlier testimony are real. I invite every one of you out to Grand Island Public Schools, you take your pick of which elementary building that might be a Title I building. Come out and take a look at our students and take a look at what their challenges are, their home life, their language barriers, their poverty issues. So just keep that in mind if you would, when you think about this ag issue and this ag taxation problem. There's districts like Grand Island in the state that have less than 0.5 percent of our valuation is in ag land. We've had 2.-some percent growth over the last 7 years in our valuation. We have not prospered greatly with this ag situation, we've been doing the best we can with the resources that we have, and we are wholly dependent on state aid. And if we don't have those resources from you, we don't accomplish our mission. So with that, I will conclude my comments. [LB1063]

SENATOR KOLOWSKI: Thank you, Mr. Harden. Any questions for him, please? Seeing none, thank you. [LB1063]

VIRGIL HARDEN: Thank you. [LB1063]

SENATOR KOLOWSKI: (Exhibit 6) Additional opposition, please? Anyone? We have one opponent letter from Roger Breed, executive director GNSA. Thank you very much. And any neutral category, please? I see (inaudible), welcome again. [LB1063]

TIFFANY JOEKEL: Thank you. Tiffany Joekel, J-o-e-k-e-l, with OpenSky Policy Institute. Again, we're testifying in a neutral capacity because we don't have the ability to model the full impact of the proposal. I did want to speak to a couple things that I haven't...that I didn't speak to previously in Senator Scheer's LB883. As I did say, we are generally supportive of foundation aid. However, we are also supportive of equalization, so we don't believe a foundation aid component should come at the price of the current equalization system, much to Mr. Harden's comments about the needs in equalized districts. We really appreciate that Senator Sullivan's bill provides the foundation aid outside of resources in the formula, so that it would be a net benefit to all districts, not just those...not offset by equalization aid, so not just a benefit to nonequalized schools. We think that's really important. We do have a question about the way it's being funded

by taking 3 percent of income tax revenues and distributing that on a per formula student basis to districts and eliminating the current allocated income tax. It's a bit of a change in philosophy in the way the income tax dollars function in the system. So we're taking the current system allocated income tax is \$102 million roughly, out of the top of that we take net option funding and then what's remaining is distributed to districts on a basis to which they paid into that income tax generally, to the extent that they don't receive a minimum levy adjustment. So the way the income tax dollars are functioning now in the system, they're distributed back to districts relative to the amount that they paid in. And as we understand LB1063, it would sort of take the income component, which we think is an important one, but change the way in which it's distributed and distribute it on a per student basis. And so we have some concerns about that. Generally, we have a concern, and I can't quite read through the fiscal note to figure out how that's functioning, but the current system takes \$102.3 million of allocated income tax, and in the first year, LB1063 take 3 percent and that's \$56.4 million roughly. So we see it as a loss of income tax revenue coming into the system, so that's not something we would generally support. But you know, with the distribution of the foundation aid outside of resources is something we really like. I also...Senator Sullivan explained the bill that the amount of per student aid that districts receive would reduce their maximum levy, and that's the way I read the bill. It appears that the fiscal note reflects a one to one reduction in property taxes, so if \$56.4 million in income taxes are coming in and being distributed as foundation aid then there should be a commensurate \$56.4 million property tax reduction. And I'm not certain that that's going to be the exact way that functions if it's simply reducing the maximum levy. So it would only be a reduction for those districts at their max levy, not all districts. However, I do think that this may interact in a way with the local effort rate, so to the extent that local effort rate is 5 cents less than the maximum levy, if LB1063 is changing the maximum levy, it may be reducing the local effort rate commensurate to the amount that they get in per student aid. So I think it's a really interesting concept, I think it's something worth looking into and ensuring that that was the intent or not. But it seems that it would draw more equalization...lower resources of all districts and bring, you know, more equalization into the formula. So with that and my red light, I'd be happy to answer any questions. [LB1063]

SENATOR KOLOWSKI: Any questions for Ms. Joekel, please? Senator Groene. [LB1063]

SENATOR GROENE: I've watched your studies and all your comments. You seem to base everything on more money is better. Can you show me an academic study anywhere that relates outcomes to money spent? [LB1063]

TIFFANY JOEKEL: Oh, I'm sure I'd be happy to... [LB1063]

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SENATOR GROENE: Washington, D.C., \$20,000 student, New York City, \$30,000 student, Chicago, \$20,000. Is that better than Nebraska's \$9,000 average? [LB1063]

TIFFANY JOEKEL: I would argue that our spending is buying an excellent product here. [LB1063]

SENATOR GROENE: Ten years ago we were \$1.9 billion, now we're \$3.2 billion. Is our outcomes better this year than in 2004? [LB1063]

TIFFANY JOEKEL: I don't know the data in 2004, but I think our spending is buying a pretty decent system currently. I'd be happy to look... [LB1063]

SENATOR GROENE: So I would like to see that study where spending should be directly related to outcomes. [LB1063]

TIFFANY JOEKEL: Sure. Yeah, and... [LB1063]

SENATOR GROENE: Because we seen the equate outcomes to education, to education, to money. Like, I've never seen it. [LB1063]

TIFFANY JOEKEL: I think there's plenty of studies, Senator, and we'd be happy to share that. Sure. [LB1063]

SENATOR GROENE: Go ahead and do that, please. Thank you. [LB1063]

SENATOR KOLOWSKI: Anyone else, questions, please? Thank you. [LB1063]

TIFFANY JOEKEL: Thank you. [LB1063]

SENATOR KOLOWSKI: Welcome. [LB1063]

LARRY DIX: Good evening, Senator Kolowski, members of the Education Committee. For the record, my name is Larry Dix, spelled L-a-r-r-y D-i-x. I'm executive director of the Nebraska Association of County Officials. I don't get the opportunity very often to appear in front of the Education Committee, quite honestly it's very rare. Tonight the one thing that I do want to talk about really is only Section 1 in the bill, found on Page 2. And that is where it talks about...I think Senator Krist may have alluded to that, where the county clerk will be responsible for

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actually calculating the maximum levy calculations. When budgets come into the counties, the county clerks really don't calculate those levies, that information. They receive the information from the school districts, they receive it from the ESUs, NRDs and all that information, but the actual calculation to determine if they exceed a levy or something like that, that does happen at the State Auditor's office. And this is no surprise to Senator Sullivan, I had visited with her earlier this week. When I read this, it looks like now we'll have 93 counties doing some calculations that are based on figures that certainly I don't think they're in tune with or have really, really dealt with very much in the past. And so even when I read this, and I would tell you I'm not an expert in this area by any means, but where it talks about each county with territory in the local system, when those school districts expand across county lines we're going to have multiple county clerks calculating this calculation for the same school district...if I read it correctly. So in our estimation certainly we believe it would probably be better that this calculation would be done one time at a state level, rather than the 93 or even more than 93. With that, I will close and be happy to try to answer any questions. [LB1063]

SENATOR KOLOWSKI: Thank you, sir. Any questions for Mr. Dix, please? Seeing none, thank you very much. Any additional neutral? Welcome. [LB1063]

JOSEPH WANNING: Thank you. [LB1063]

SENATOR KOLOWSKI: How many additional neutrals do we have? Any others in the room, please? Thank you very much, sir. Go ahead. [LB1063]

JOSEPH WANNING: (Exhibit 7) Good evening, Senator Kolowski, members of the committee. My name is Joseph Wanning, J-o-s-e-p-h W-a-n-n-i-n-g. I am an educator with South Sioux City Community Schools, and I proudly represent the 15 member schools of STANCE. STANCE takes a neutral position on LB1063. We take this position from the standpoint of asking what approach was used to access the knowledge and wisdom of community leaders, school business officials, school superintendents, and senators to design a school funding formula that provides property tax relief and ensures public schools have the necessary resources to meet the demands placed upon them. Without fully researching the implications of pending legislation, STANCE is fearful of the unintended consequences that will harm schools and the children they serve. We have agreed to use our school district as an example of the complexities associated with school funding and a school district that has realized a negative impact on funding each time the formula has been tweaked. South Sioux City Community Schools has approximately 3,900 students in a community of 14,000 residents. We're often sited as the poster child for equalization aid, due to our unique situation of existing needs versus resources. The following information I'm about to share can be found in the brochure that I supplied to you with this testimony. The demographic makeup of our student population reflects a growing district serving

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more students each year. We are becoming more diverse and our student population reflects a variety of different cultures, approximately 75 percent of our students represent students of color. We hover around the 75 percent mark in terms of the number of students identified for free and reduced lunch. When we compare the sources of revenue available to support public education in our school district to the rest of the state, we find that a smaller percentage of South Sioux City Community Schools' budget comes from revenue generated through property taxes. Just 20 percent of the schools' revenue is generated through property taxes. A larger percentage of South Sioux City Community Schools' budget comes from revenue generated through equalization aid and we are an equalized school district with over 61 percent of our budget coming from state aid. The 2016-17 model for state aid shows a reduction of \$626,000, the majority of that amount is attributed to a reduction in our poverty allowance. In walking through the brochure, we can compare costs associated with our average daily membership to the rest of the state. We find that South Sioux City Community Schools has half the property tax revenue supporting each student as compared to the rest of the state, South Sioux City Community Schools is substantially more dependent on state aid to support each student as compared to the rest of the state, and South Sioux City Community Schools' valuation per student is significantly less than the statewide average, which is 26 percent of the state average. Information taken from the ND Nebraska Department of Revenue...South Sioux City Community Schools has the fifth lowest total valuation per pupil in the state. [LB1063]

SENATOR KOLOWSKI: Mr. Wanning, I'll have to stop you there, the red light is on. Thank you. [LB1063]

JOSEPH WANNING: Thank you. [LB1063]

SENATOR KOLOWSKI: And what is your position with the district, please? [LB1063]

JOSEPH WANNING: I'm an instructional coach. [LB1063]

SENATOR KOLOWSKI: Thank you very much. Any questions for Mr. Wanning? Yes, Senator? [LB1063]

SENATOR GROENE: During the summer sessions your organization took a stand against getting rid of the minimum levy, but now you're neutral? [LB1063]

JOSEPH WANNING: That's correct. [LB1063]

SENATOR GROENE: That's good news. Are all of your school districts equalized? [LB1063]

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JOSEPH WANNING: That's an answer I'd have to defer to my superintendent. [LB1063]

SENATOR GROENE: You don't know the makeup of your entire organization? [LB1063]

JOSEPH WANNING: Correct. [LB1063]

SENATOR GROENE: All right, thank you. [LB1063]

JOSEPH WANNING: Thank you. [LB1063]

SENATOR KOLOWSKI: Additional questions, anyone? Mr. Wanning, thank you very much. [LB1063]

JOSEPH WANNING: Thank you very much. [LB1063]

SENATOR KOLOWSKI: Any additional neutral, neutrality statements from anyone? (Inaudible). Yes sir, please. Welcome. [LB1063]

VERNON FISHER: Thank you. Thank you, Senator Kolowski and members of the Education Committee. My name is Vernon Fisher, V-e-r-n-o-n F-i-s-h-e-r, I'm the superintendent of schools in South Sioux City Community Schools. I was the individual who testified in...for STANCE that summer, and we did not testify in support of the minimum levy. We did take a neutral position in terms of suggesting that we look at a review committee made up of senators, school business owners, school business leaders, school superintendents to take a comprehensive review of our school funding formula and find a way to identify how do we provide property tax relief while at the same time funding public education and meeting the needs of all our students. We are taking a neutral position in terms of LB1063. As mentioned before, South Sioux City is extremely dependent upon equalization and emphasizes that any change to TEEOSA be made only after carefully investigating the impact of funding decisions on Nebraska's public schools. We make this request based on the past measures that have had a disqualifying (sic) and/or negative impact on our school district. We offer two examples. The taking away of certain allowances, for example class size--K-3, had a disqualifying effect on our school district. South Sioux City Community Schools lost an estimated \$2 million in class size allowance. While our district gained an estimated \$1.4 million annually in additional basic funding, the net loss is estimated to be \$600,000 annually, over a five-year period. The averaging adjustment was altered over the course of the past five years, which had a negative impact on our school district. We went from a high \$2.67 million in 2010-11, to \$126,000 in 2015. And so in terms of...in review of this particular testimony, that's why we support the idea of investing in a review committee. In terms

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of the composition of STANCE, we have both equalized and nonequalized schools. We are 15 schools that are in support of good, sound education policy, and look forward to working with state senators in the formation of that policy. I conclude my... [LB1063]

SENATOR KOLOWSKI: Thank you, Mr. Fisher. Yes, Senator Groene, please. [LB1063]

SENATOR GROENE: Who is the superintendent of Columbus? Is Columbus your member of the GNSA? [LB1063]

VERNON FISHER: He did testify that day in...representing GNSA. [LB1063]

SENATOR GROENE: And he did say he thought it wasn't fair, because he was a landlocked school district, that the minimum levies would go away. I remember that quite clearly. He might have said it as him as a superintendent of Columbus, but he did say that. [LB1063]

VERNON FISHER: I do remember that he testified on behalf of GNSA, to be honest with you, I don't recall the testimony. I was more... [LB1063]

SENATOR GROENE: But he's a member of yours also? [LB1063]

VERNON FISHER: He is. [LB1063]

SENATOR GROENE: Oh, all right. So it was GNSA. [LB1063]

VERNON FISHER: Yes. [LB1063]

SENATOR GROENE: All right, thank you. And you keep saying you lost money. Was that year you spent less money total or you lost some of your increase (inaudible)? [LB1063]

VERNON FISHER: Yes, sir. When you look at the testimony that was presented today, we showed a five-year trend in two different ways. One was on property tax...and my first year in South Sioux City was 2010-11, we generated roughly \$7 million in property tax. In 2014-15, we generated just over \$9 million in property tax, but then in 2015-16, we generated just under \$9 million in property tax. In terms of our five-year trend and equalization aid, my first year in South Sioux City was 2010-11, we had just over \$26 million. In 2014-15, we had \$26,600,000, and this past year we went down slightly: \$26,580,000. And what Mr. Wanning was alluding to is that the projection, if it holds true, will have \$626,000 less in state aid this next year. [LB1063]

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SENATOR GROENE: But when you total it too, was your gross receipts of the two more each year? It's late in the night and I couldn't add that fast. [LB1063]

VERNON FISHER: I will say that...let me try to answer it from this perspective. Revenue generated through property taxes over that five-year period went up 28 percent of 5.6 per year. However, the last four years, and moving backward, this last year was 1.75 percent, the year before that was 2.9 percent, the year before that 3.1 percent, and the year prior to that 4.8 percent. In terms of our state aid allocation, during the five-year period the overall increase to state aid to education from 2010-11, which was \$951 million, to 2015-16, which was \$976 million, was roughly \$21,925,000, or 2.31 percent. While the overall allotment to state aid increased for Nebraska, the South Sioux City Community Schools overall increase from 2010-11 to 2015-16 was \$406,000 or 1.55 percent over that... [LB1063]

SENATOR GROENE: I guess you're not answering my question. When you add the two together did you have less money to spend each preceding year? Did you or didn't you? You had your property taxes plus your state aid. Did you have less money? [LB1063]

VERNON FISHER: We were fortunate that the revenue increase in property tax kept us above water. We're at the point now where we won't be above water. [LB1063]

SENATOR GROENE: So when you did your budget, you had enough money, you had an increase of money. You see the taxpayer doesn't care where it comes from, he's paying it--the property tax or the state aid. I know you guys worry about...I see headlines we lost state aid, but your property taxes went up. So the amount of money you had to spend went up. Did it not? [LB1063]

VERNON FISHER: Between 2010-11 to 2015-16, the revenue generated on property tax was less than \$2 million in that five-year period. [LB1063]

SENATOR GROENE: But you don't spend property taxes and then spend state aid, you have that money in one bank account and you spend it. [LB1063]

VERNON FISHER: You just asked me whether or not the taxpayer sees where their money goes. The fact is, between 2010-11 to 2015-16, that property tax increase was less than \$2 million, while state aid remained flat. [LB1063]

SENATOR GROENE: So you gained \$2 million in that period. [LB1063]



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VERNON FISHER: Over a five-year period of \$400,000 a year. [LB1063]

SENATOR GROENE: So you're not one of the districts either that went from one...spent the \$1.9 billion to \$3.2 billion? Still haven't found out where that's gone. [LB1063]

VERNON FISHER: Say that...would you say that again, sir? [LB1063]

SENATOR GROENE: Well, I've been asking folks. In 10 years it went from \$1.9 billion to \$3.2 billion in total state aid and property taxes for education in the state of Nebraska. All I'm hearing is we only went up 1 percent, 1.5 percent, so where did all that money go? [LB1063]

VERNON FISHER: Well, in my... [LB1063]

SENATOR GROENE: I'm not accusing you, your accurate numbers. [LB1063]

VERNON FISHER: In my testimony, what I see is less than \$1 billion. I do know that information from the fiscal office shows that the percentage of increase, in terms of contribution to K-12 education, is less now than it was 10 years before now. [LB1063]

SENATOR GROENE: Well, I agree with you on the state aid, we need to up state aid--we're 49th. I'm just saying when you did your budget you had the money from the property tax plus the state aid. [LB1063]

VERNON FISHER: Yes, we had both of those. [LB1063]

SENATOR GROENE: Yeah, thank you. [LB1063]

VERNON FISHER: You're welcome. [LB1063]

SENATOR KOLOWSKI: Thank you, Senator Groene. I'm sure we can find answers to your questions somewhere. [LB1063]

VERNON FISHER: Senator, may I make one other statement? [LB1063]

SENATOR KOLOWSKI: Yes, sir. Please. [LB1063]

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VERNON FISHER: I do have four teachers from South Sioux City here today. I was grateful that they were able to come, I wanted them to hear the rhetoric around public education and what the conversation sounds like. We had two teachers testify today, I'm extremely proud of the educators that are here with me, I'm proud of every educator in the state of Nebraska. And I hope that we don't lose focus on what's most important here, and that's the education of our kids. And without those people sitting behind us, that doesn't happen. And with fewer of them, that makes it more difficult. So we appreciate the tasks set before you and appreciate all you do. [LB1063]

SENATOR KOLOWSKI: Thank you and welcome. Thank you for being with us today. Any additional neutrals at this time? Senator, for closing. [LB1063]

SENATOR SULLIVAN: Thank you, Senator. The hour is late. And again, I thank all of you for being here and being a part of this hearing today. And while there have been issues and questions raised about LB1063, the hour is late so I won't attempt to delve into them right now. But just know that I'm more than willing to clarify, explain when we start to discuss this bill. But also keep in mind the whole conversation today. We heard about tools. We've heard about levers. We've heard about all sorts of things that could impact how we fund our public schools. I just ask you to keep an open mind to not only that but also to the pleas that we've heard for property tax relief. And so I thank you for your attention. [LB1063]

SENATOR KOLOWSKI: Any questions for Senator Sullivan? And this ends the hearing today. And whoever has 7:45 in the office pool wins. [LB1063]