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Education Committee  
March 06, 2017

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[LB409 LB484 LB634]

The Committee on Education met at 1:30 p.m. on Monday, March 6, 2017, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB409, LB484, and LB634. Senators present: Mike Groene, Chairperson; Rick Kolowski, Vice Chairperson; Laura Ebke; Steve Erdman; Lou Ann Linehan; Adam Morfeld; Patty Pansing Brooks; and Lynne Walz. Senators absent: None.

SENATOR GROENE: Welcome to the Education Committee public hearing. My name is Mike Groene, Legislative District 42, I serve as chair of this committee. The committee will take up the bills in the order posted outside the doors. Our hearing today is your public part of the legislative process, you are the second house. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off cellphones and other electronic devices, move to the chairs at the front of the room when you are ready to testify. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks by the introducer. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise, it is my request that you limit your testimony to three minutes. If necessary, we will use the light system...which we will. So you'll have three minutes of green, yellow one minute...three minutes and yellow one minute, and then red, so actually we're four minutes. If you would like your position to be known, but do not wish to testify, please sign the white form at the back of the room, and it will be included in the official record. Please speak directly into the microphone so that our transcribers are able to hear your testimony clearly. That is why you need to spell your name and recite it, so the transcribers can get it accurate. The committee members with us today will introduce themselves, beginning on my far right.

SENATOR PANSING BROOKS: Senator Patty Pansing Brooks from Legislative District 28.

SENATOR GROENE: Senator Linehan will be joining us shortly. She's going to be a few minutes late.

SENATOR KOLOWSKI: Rick Kolowski from southwest Omaha, District 31.

SENATOR EBKE: Laura Ebke, District 32: Jefferson, Thayer, Fillmore, and Saline Counties, and the southwest portion of Lancaster.

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SENATOR ERDMAN: Steve Erdman, District 47: 10 counties in the Panhandle. I won't name them.

SENATOR EBKE: Oh, do.

SENATOR ERDMAN: I could, you know.

SENATOR WALZ: Lynne Walz, District 15: all of Dodge County.

SENATOR GROENE: Senator Morfeld I would assume will be joining us, he's from Lincoln, Nebraska. I would like to introduce the committee staff. To my immediately left is legal counsel, LaMont Rainey. To my right, at the end of the table, is committee clerk, Kristina McGovern. She is the young lady you give your green sheets to. Our pages are Alexi Richmond and Sam Baird, both are students at the University of Nebraska. Senators might be coming and going because there's other hearings and they might have to introduce bills. We will...you might see us looking at our phones. We are using them, we might be texting or emailing our staff to look up facts so we can question the testifiers. And we will begin with LB634, Senator Wayne. [LB634]

SENATOR WAYNE: Good afternoon. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, I am a senator representing District 13, which is north Omaha and northeast Douglas County. Today's bill, although technically is probably a cleanup, I like to call it a clarification bill, because it's trying to catch up our TEEOSA formula with new programming being offered. LB340...I'm sorry, already messing up. LB634 provides needed definitions to ensure quality implementation of virtual school environment. The bill ensures that the virtual school programs offered by the school district are for credit and that they use primarily internet-based methods of delivery and instruction. The virtual school involves blending learning opportunities with a mixture of face-to-face and internet usage to make sure that kids can interact with NDE certified teachers and be able to use on-line programming. Virtual schools must demonstrate subject matter competency progress towards the next grade level or high school graduation and complete state assessments. The majority of college students now take at least one on-line course. Across the nation, Nebraska is one of six states that does not offer virtual school opportunities. Not all students learn the same way and this delivery provides another method of meeting students' needs and, specifically, students who may have felt displaced by a typical school environment. With that, I'll answer any questions. [LB634]

SENATOR GROENE: Any questions from the committee? Senator Pansing Brooks. [LB634]

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SENATOR PANSING BROOKS: Thank you, Senator Groene. Thanks for bringing this, Senator Wayne. Is this for a full virtual school or is it for kids that are sick that want to be able to take virtual classes, or they may have been in a car accident? I just am interested in what. [LB634]

SENATOR WAYNE: Well, it could be all those in the future, but it's not that today. Today is primarily used in Omaha Public Schools. As many of you know, I was on the board, and Senator...Senator, I gave him another promotion. Superintendent Evans will be following me to answer some more detailed questions about OPS, but I was there when this started. We started off with homeschool, and the reason was is, particularly in my district, many of my homeschool students wanted to take a special class here or there, or a couple classes, such as...math is sometimes harder, sciences are sometimes harder, and foreign language. And so this was a way for them to have, particularly home students, to interact with the school system and the public school system and provide those resources for those students. But it could be all of those things eventually, but that's not what the purpose of this bill today is, or what we're doing inside of Omaha Public Schools. It is to work with those homeschool students who want to participate limitedly in the public school environment, or some students who need a different type of learning environment. And I want to stress: 1) there is no fiscal note; but 2) this is a blended learning environment. So they still have to go to a brick and mortar school. In this case we use a Do Space, a great partnership on 72nd and Dodge, which is like a technology center where these students go in for a day or half a day and continue to work with certified teachers, in this case Omaha Public Schools, to make sure that they're getting the learning that they need. [LB634]

SENATOR PANSING BROOKS: So how do you foresee this being used across the state?  
[LB634]

SENATOR WAYNE: Well, so my vision is slightly different. I wanted to push the envelope even more, but we did not go that far when we were in the school board. And here's why I say that. So when I first got on the school board, I used to travel quite a bit for my personal job, my law firm. And when I was in Chicago I attended Malcolm X Community College. Malcolm X Community College had a virtual school where the kids went two to three days a week, but most of their learning environment was done at home. And it was actually a dropout program and a reentry program for students, to get them back reengaged in school. They had a high success rate, like 90 percent graduation rate. So that was what got me going in this area. Mr. Evans, Superintendent Evans, has launched a virtual school when he was in Kansas, and so there was middle ground with the board and we decided to focus on elementary homeschooled kids as a starting ground. So how could this happen across the state? There could be other virtual schools across the state targeting the same population we're targeting or targeting a different population, such as schools...students who have dropped out or on the verge of dropping out and they need a different type of learning environment. The key that we have here, a kid from Scottsbluff is most likely not going to attend the Omaha Public Schools virtual school because there still has to be a

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face-to-face connection there at least once a week. So we're really looking at probably clusters, if you wanted my vision. That's my vision, of clusters, of how this works. But the reality is, if we're preparing kids to go to college, they're going to take on-line courses in college and so we might as well start having an opportunity now but, more importantly, make sure we calculate how we're doing that for tracking purposes. And that's what this bill does. [LB634]

SENATOR PANSING BROOKS: Thank you, Senator Wayne. [LB634]

SENATOR GROENE: Any other questions? Senator Kolowski. [LB634]

SENATOR KOLOWSKI: Thank you, sir. Senator Wayne, do you have any idea how many students might be in this pool that you'd be thinking of? Have you seen numbers from other districts where they say it's usually 5, 10, 15 percent? Anything like that? [LB634]

SENATOR WAYNE: Well, it depends on the geographical...or the targeted market. Sticking to what we're doing in Omaha Public Schools across the state, there's 2 percent of the students are exempted. That's in your fiscal note. Exempted means they're homeschooled. So if you stick with that market and that number, that's one benchmark. But if you look at other uses in other states, where it's like dropout prevention and those kind of things, that number can be expanded. I think the key is right now, because OPS is the first school to do it...or public school district to do it, we have to make sure we get the calculations right on how we're calculating kids and time use in the program. And then once that happens, that gives a baseline for other school districts to figure out how to plug, if they want to start one, into that formula what their cost will be and what their revenue would be from that. [LB634]

SENATOR KOLOWSKI: So these students would still be required to have at least one class in a regular brick and mortar building, or they just go to that center in the district? [LB634]

SENATOR WAYNE: Well, we have, and I'll defer to Mr. Evans on this, but we've contracted with a partnership with Do Space, so that is kind of our virtual school, where they go and meet. It could be at Millard West, it could be whatever the district decides is their spot for their brick and mortar for students to come in and interact with those students. We just wanted to do it in a different way, because mainly we were focusing on homeschool kids. It might be odd for them to go to a school if they're homeschool kids, but a better way of doing it was through a partnership like this, which is a cutting edge facility in our community around technology. So it was a great win-win for us. [LB634]

SENATOR KOLOWSKI: Thank you. [LB634]

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SENATOR GROENE: Any other questions? Senator Erdman. [LB634]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you, Senator Wayne, for coming. So explain to me this face-to-face, once a week with those. As Senator Kolowski said, would they have to be attending school once a week? [LB634]

SENATOR WAYNE: Yeah, I'll defer to Mr. Evans on that. I can just tell you my personal experience with it. So like the Malcolm X one and then the couple of interactions where I went to the Do Space. So the students are there going through their lesson plan, going through their regular classroom assignment, and answering any questions. Beyond that, because I was only there for like the first couple of weeks, I have to defer to Mr. Evans. But what I can tell you in other settings, it's just like a regular school, but it gives those individuals, who sometimes can't sit in the classroom for eight hours, the ability to go home and do their work. And again, this is what a lot of our college students are going through. [LB634]

SENATOR ERDMAN: So those students from Scottsbluff couldn't attend a virtual school there and pick up classes from what you're doing here in Omaha? [LB634]

SENATOR WAYNE: Well, they could, but they would still have to meet the requirement of a face-to-face meeting. So they would have to literally drive, and maybe, I mean, we're talking hypothetically, but hypothetically they could leave Thursday night and drive there on Friday and then go back home for the weekend. But the purpose of the face-to-face interaction is because we still want to make sure that there is a teacher in front of students and answering questions and having that interaction. But theoretically, I guess if they wanted to drive through the night with a parent, they could. But that wasn't the purpose of what we were trying to do. [LB634]

SENATOR ERDMAN: Couldn't they have a face-to-face with a teacher in Scottsbluff? [LB634]

SENATOR WAYNE: Yes, if Scottsbluff's school district wanted to do that. But I think prior to me being down here and seeing the territorial fights among school districts, I'm pretty sure we don't want OPS and Scottsbluff. But if you want to have that conversation, we can. [LB634]

SENATOR ERDMAN: Then the other issue--we talked earlier this year when a bill was introduced--of allowing homeschool children to participate in extracurricular activities. And the conclusion we came to was NSAA is thinking about allowing them to play or participate in activities if they were enrolled in two classes. One of these classes, would they be considered one of those two? [LB634]

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SENATOR WAYNE: This is an issue that we are currently looking into. Because I've been around on the school board where they introduced these bills before, I think it is something that we're going to have to address. The answer is right now I don't know. I think that's something the NSAA, in this case OPS since we're the only school, and probably people from the Education Committee...to put some think tanks together to figure that piece out. [LB634]

SENATOR ERDMAN: Thank you. [LB634]

SENATOR GROENE: Senator Wayne, so the kids in your virtual school now are not counted in your September 1 date, or last Friday in September, or whatever that is, for your student count? [LB634]

SENATOR WAYNE: I'm going to defer to Mr. Evans on that, because I think they are, but it's not completely accurate. They have to be there for an entire half a day. [LB634]

SENATOR GROENE: On that day they count. [LB634]

SENATOR WAYNE: I believe so, yes. But I will defer to the experts on that. [LB634]

SENATOR GROENE: Thank you. Any other questions from the committee? Thank you, Senator Wayne. Are you going to stay around? [LB634]

SENATOR WAYNE: Yes, I will stay around. Thank you. [LB634]

SENATOR GROENE: Proponents? First proponent? [LB634]

MARK EVANS: (Exhibit 1) It's kind of hot in here today. I may have to take my jacket off in a minute. Good afternoon, Senator Groene, Chairman Groene, and Education Committee. My name is Mark Evans, M-a-r-k E-v-a-n-s, superintendent of Omaha Public Schools. I'm here to testify in support of LB634, and I've handed out a brief of the testimony which, actually, Senator Wayne just reinforced much of what you'll see in the document that I've just handed you. I was taking notes as I heard some of the questions, so that I might be able to help with some of that information as well. I want to point out before I start the testimony, we have a lot of our students and parents behind me, and so I would ask them if they wouldn't mind, could you please raise your hand if you're a part...a student or a parent of one of our virtual school? So quite a few that are here today. Since they can work virtually, they won't really be missing any school today, so they're not absent. They're going to be fine. And actually, it is one the real neat things about this. As Senator Wayne said, we do require a blended environment, where the students actually spend

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time with an instructor face to face. They do tutorial with an instructor face to face once a week. And we actually have teachers that are assigned specific numbers of students. And we have a cap on that number of students because, no matter whether it's a pure brick and mortar or a virtual setting, there obviously is a cap on how many students can be properly, appropriately, and effectively educated--virtual, blended, either way. So they actually are housed in the TAC building, they're in cubicles there, because that's where they go to work every day. And they work at their cubicles and then, one day a week, they're at the Do Space, as Senator Wayne stated. So kind of an interesting model, different than other states, different than other districts. It's the model that I've been a part of in starting virtual schools in two previous districts. I strongly believe that you need a blended model. I've seen some districts and, not to throw anyone under the bus, but I will share with you that I've seen it done where a computer was checked out, curriculum was purchased on-line, and they said go forth and prosper. That is not the appropriate way. That is not the appropriate way. You need a very strict requirement on having Nebraska certified teachers; you need strict requirements that guarantee at least 24-hour notification if a student has a question, which we do; you need strict opportunities for communications, and not only in the educational environment, but we like doing field trips as well. And our teachers organize field trips because we know that's part of learning as well. So what you're getting is a more flexible environment that, for some students, is the absolute best environment. Not for all, and I say that to parents all the time. And my guess is my parents that are sitting behind me would tell you the same thing, it's not always for everybody, it depends on your son or daughter. But I would share why, as a state, would we not want to continue supporting this kind of a program and doing this cleanup bill, because we know that the families that are sitting behind me--and I know that one of them will be testifying after me, one of the parents--we know that their young people are getting a great education and they're going to tell you about that. We know that we're going to see growth on NeSA which, by the way, we do all state requirements and, as well, we should. And I do also want to give out a little bit of a shout-out to the Nebraska Department of Education, I see Bryce back behind me over here, for working closely with our CFO to make sure we're meeting all of the NDE requirements for reporting and making sure that we're fulfilling all of those things, too. Because we don't anticipate this being done in a haphazard way, we expect it to be done meeting all NDE requirements, which is also why we have certified teachers, which we think is a critical piece to the success of the program. We also see the parent engagement as a critical piece to this program, it's different than other settings. Not that you don't need parent engagement in other settings--you really do--but this one really begs for that parent engagement. And our parents are extremely engaged. I also would mention--I heard one of the questions--I think it was Senator Erdman that mentioned NSAA and how that works with athletics. That's something that all states do have to decide. I don't think this state has totally decided. I can tell you in my last state that I worked in with virtual, the student had to live in the district they were going to compete or participate in. They had to live in that district and they had to go at least two periods in the brick and mortar setting of that school. That's how they decided it. And different states are different, some are two, some are three. There's usually some

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requirement for that, and there's always a requirement that they can't live in one district and then go and compete in another when they're not actually physically somehow being in that brick and mortar setting. So I think that's something that NSAA will need to look at in the future, as we move into the high school setting. Right now we're not doing high school, it's up to high school. And part of that was because we need to work through some of these pieces. It's new for Nebraska, and working through some of these dynamics and using and looking at what other states have done, I think, will be critical. But this cleanup bill just allows us, I think, to be better in our reporting, meet state expectations better... [LB634]

SENATOR GROENE: Could you wrap up? [LB634]

MARK EVANS: Thank you, Senator. [LB634]

SENATOR GROENE: You need to finish, but... [LB634]

MARK EVANS: No, no, that was it. Thank you, Senator. [LB634]

SENATOR GROENE: Any questions for Mr. Evans? Senator Kolowski. [LB634]

SENATOR KOLOWSKI: Thank you, sir. Superintendent Evans, thank you very much for being here today and having this opportunity to share with us. The opportunity to take this to other levels in our state, as we have the rural connections that are so important to us, that we have every student have a great chance for the most positive education. Will we be able to discern from your experience and in OPS what some of those things might be? We may have to tweak something a certain way or they may not have to go to a brick and mortar school, and they're 60 miles away from a location, depending on a farm or a ranch or a territory. All those things are important to us. In your former situations, were those things that you touched base with as you put that together? [LB634]

MARK EVANS: That is a great question, Senator. In my previous state, there were 68 districts out of the 284 that had some type of virtual school. And a lot of it was because they were small rural districts that wanted to provide some of the upper level math and sciences. To be honest, very difficult to provide when you've got a student population of 600 students, 700 students, which is pretty typical in a lot of our rural settings. So we did see it utilized that way, and sometimes we'd see an ESU, with the cooperation of the school district in that rural area, the ESU then would be the provider and they would collaboratively work with multiple districts in the rural setting. So that was pretty common where I was before. [LB634]



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SENATOR KOLOWSKI: Thank you. [LB634]

SENATOR GROENE: Any other questions? What is the difference, sir, between on-line classes and virtual classes? There's still a computer in front of you. Is that not true? [LB634]

MARK EVANS: Yeah. On-line, virtual, that would be synonymous with each other. I think the different term here that makes this different and, I think much better, is that blended term, where we say it's not strictly on-line or virtual. It's mostly, but then we're going to have face-to-face time at least once a week. And many do not require that, but the research says that there are many young people that can have success on-line, virtual, but they need that face-to-face time. And so we've found that to be the most appropriate and we also use surveys with our parents. And our parents really love the opportunity for socialization. [LB634]

SENATOR GROENE: So it's math, English, literature, science? [LB634]

MARK EVANS: Yep. [LB634]

SENATOR GROENE: They're taking those all on-line. [LB634]

MARK EVANS: Yep. [LB634]

SENATOR GROENE: And then one day they come in and have face-to-face with each of those subjects? [LB634]

MARK EVANS: Yeah, could be, although they may have specific struggles in maybe mathematics, and so they spend that whole day with math because they've already mastered science. They're already ahead of the curve and actually moving forward, which you can move forward more quickly in this kind of a setting, and so they may not need science that day. So it's really based on differentiating on what his or her need is as a student. [LB634]

SENATOR GROENE: So how many students do you have in this program? [LB634]

MARK EVANS: 140. [LB634]

SENATOR GROENE: And they don't count in your average daily? [LB634]

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MARK EVANS: Yes, they do. They do count. They're over 51 percent, and they have to be over 51 percent. Which sometimes becomes challenging, because if we don't get them over 51 percent, we can't enroll them because there's no funding for them, and you can't purchase the computer and the curriculum and the teacher. [LB634]

SENATOR GROENE: So what would this bill change? [LB634]

MARK EVANS: It allows us to count a student if a mom or dad and the student says I don't want to go full-time, but I would love to take three classes. And right now, we say, well, that's less than 50 percent, so we couldn't enroll you. So right now we can't enroll those students. This would allow us to enroll those students, as well, that take two courses. And right now we can't, we don't get any funding for them unless they take full time... [LB634]

SENATOR GROENE: So then this... [LB634]

MARK EVANS: ...and we get partial funding. [LB634]

SENATOR GROENE: If the NSAA says a student, a homeschool student, has to attend two classes we would be giving state aid to them full (inaudible)? [LB634]

MARK EVANS: So it would have to be split. And that's what most states do, and that's what we would need to continue working out with NDE. [LB634]

SENATOR GROENE: It would be a percentage. [LB634]

MARK EVANS: A percentage, exactly...exactly, based on enrollment. [LB634]

SENATOR GROENE: All right, thank you. [LB634]

MARK EVANS: Thank you, Senator. [LB634]

SENATOR GROENE: Any other questions? Thank you. [LB634]

MARK EVANS: Thank you, Senator. Thank you. [LB634]

SENATOR GROENE: Next proponent. [LB634]

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JESA KESLAR: My name is Jesa Keslar, it's J-e-s-a K-e-s-l-a-r. Good afternoon, and thank you for this amazing opportunity to speak in front of you. I am a parent of children in OVS. I have four children, three of them are in OVS. I wanted to just give you guys a daily account of how it is for us. The fact that we homeschool has nothing to do with anything that we are against brick and mortar schools. The reason that I chose to homeschool is because it offers us flexibility, it offers me the opportunity to take my children out into the real world and learn on a daily basis, not that they're not getting that in a brick and mortar school. But what I feel like they are getting, that maybe they wouldn't be in a brick and mortar, is being able to communicate and understand all different age levels in all different situations. And to me, that is very important. I want to be sending my child out into the world understanding the likeness of age ranges in different situations. So homeschool has offered us a flexibility that otherwise we wouldn't have. With OVS however, it has allowed us to access curriculum that we otherwise...while one of the other gentlemen said that there are people who get the laptops and the curriculum and they go forth, this has caused us to have some accountability, which I am a big proponent of. The accountability isn't just for me, but it is also for my children. When I am their teacher and their parent, sometimes kids have this attitude where they don't have to meet expectations. I love that they have other teachers and a principal, so to speak, that they have to be accountable to. I think that is very important and it is an integral part of them being mature and understanding how things really work. Again, it's offered us opportunities to curriculum that we otherwise wouldn't maybe be able to afford or get our hands on, as well as technology. OVS, Omaha Virtual School, also does things with Microsoft and Minecraft. They offer us things like Study Island, Prodigy Math at no charge to us, which is a huge help. It gives...I love the fact that we have transparency with the teachers, I can email them at any time and ask any question. And it's a very wonderful opportunity. My children can also go in. They do have their one-day-a-week session, but they also can go in Tuesday or Wednesday, on their days off in the afternoon, and get that extra help that they may need. So it has been wonderful for us to have this opportunity and I would hate to see it go away. It's just been wonderful. I would invite any questions that you guys have. You can fire away and I'll give you the best that I've got. [LB634]

SENATOR GROENE: Thank you. Any questions from the committee? This is...do you have one, Senator Erdman? [LB634]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you for coming today. [LB634]

JESA KESLAR: My pleasure. [LB634]

SENATOR ERDMAN: So what classes are your children taking through the virtual school? [LB634]

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JESA KESLAR: So my children are taking literature and math. However, literature is not just literature, it's literature composition, writing, spelling, and vocabulary. So it's a whole packet. And the math they're also taking. So but however, they do offer science and another...sorry, off the top of my head I couldn't think of it, but they do offer four core courses. Very important. [LB634]

SENATOR ERDMAN: So how many hours or how many days do you do virtual school? [LB634]

JESA KESLAR: We go to the...we actually have the one face-to-face time. I have my children, my students, I actually have them go...we have Thursday face-to-face time. I have my children go Tuesday and Wednesday afternoon to be accountable, to take any extra homework that maybe I didn't explain well to them, to have their teachers help them on Tuesday and Wednesday afternoon. But I actually homeschool six days a week. My kids, they need that kind of thing, they need that kind of structure. But we don't do it for eight hours a day. The great thing is with homeschooling we do it...we got up at 6:00 this morning, we homeschooled until about 11:30, and then we had lunch and we hit the road. [LB634]

SENATOR ERDMAN: Thank you. [LB634]

JESA KESLAR: My pleasure. [LB634]

SENATOR GROENE: Senator Walz. [LB634]

SENATOR WALZ: Thank you, Mr. Chairman. And thanks for coming. Can you tell me just a little bit more about the face-to-face, like what happens there? [LB634]

JESA KESLAR: Yeah. [LB634]

SENATOR WALZ: Are they in a classroom? Are they with one...are they by themselves with the teacher? How does that work? [LB634]

JESA KESLAR: So we have them set up into K-1, 2-3, 4-5, and then 6, 7, 8. So there's a teacher for K-1, 2-3, 4-5; and then there's a couple teachers for 6, 7, 8. So what they do is they go in there, they have their morning assembly where they give a positive message just to kind of break the ice with the children, they do the Pledge of Allegiance, and then they kind of just get right into it. They pop open their laptops, and know that it is not just children sitting there just doing school on the laptops. It is a very interactive session where our teachers are allowed to write on

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the walls of Do Space, they have projectors, television, computer-type things that they...I mean, they're huge, they're six feet wide, that they're interacting with. I actually walked into...out of a meeting for one of the things we had and into one of the classrooms, and they were meeting with other students from I don't even know where. But they're giving them an opportunity that I can't give them as a homeschool parent. I'd love to, but I cannot. But they will help them one on one, they talk as a group together. So it's really interactive, it's not just students sitting in front of a computer. It's far more than that. So is there anything specific that I could answer for you?  
[LB634]

SENATOR WALZ: No, I was really just curious to know if they were going into like a regular classroom or if this was separate than...kids were just doing the virtual learning. [LB634]

JESA KESLAR: Everyone is considered a virtual student. And so like the kindergarten, first, they have their own classroom and their own teacher. Second and third, again, they have their own classroom and teacher. And again with the same other. So the teacher is very interactive with them. While they do have their computers open, their attention is not just focused solely on the computer, it's focused mostly on the teacher where they're interacting. And then the teacher gives them maybe an assignment to teach them, help them technologically, things like that. So that that's kind of how it works. [LB634]

SENATOR WALZ: Okay. [LB634]

JESA KESLAR: But it's wonderful. It gives the children a sense of accountability, a sense of what it would be like to go to real brick and mortar. But again, it offers a flexibility to have other things going on in your life. [LB634]

SENATOR WALZ: I understand. Okay, thank you so much. [LB634]

JESA KESLAR: It's my pleasure. [LB634]

SENATOR GROENE: Any other questions from the committee? So I would guess this is a field trip for the kids? [LB634]

JESA KESLAR: Yes, it is. [LB634]

SENATOR GROENE: Government. [LB634]

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JESA KESLAR: Absolutely. [LB634]

SENATOR GROENE: The on-line courses, is that an OPS teacher that is present when they're watching the computer screen? [LB634]

JESA KESLAR: No, sir. What it is, is they have a curriculum provider, it's called K12, that is something that every parent...excuse me...could purchase. For us, it would be anywhere between \$10,000 to \$15,000--not a realistic price tag. That does not include the computers and all the technology that they are allowed to have during the year. So what it is, is they would pop open their computer, they would have...it's a very interactive curriculum. But if they have...so, and I am sitting there with them. Some students don't need that, but I like to make sure that they're understanding it and we're getting the fullest extent of the curriculum. There are worksheets to be printed off, you get 15- to 20-pound boxes of books to go with everything. If there's any question then, we can certainly email the teacher. They're always quick to respond. As far as the curriculum on-line, I think it's a phenomenal curriculum. I think it's done very well for us personally, so it's very... [LB634]

SENATOR GROENE: And it's the curriculum that the teacher recommends... [LB634]

JESA KESLAR: I believe it's the... [LB634]

SENATOR GROENE: The OPS teacher? [LB634]

JESA KESLAR: I'm not for sure, sir. But I believe it's the curriculum that they voted on, that OPS voted on. But I'll have to defer that to one of the other. [LB634]

SENATOR GROENE: And then you and your family buy your own materials? [LB634]

JESA KESLAR: No, sir, we don't have to buy anything. And that's one of the wonderful things for us, is because something like this we actually have looked into several years ago with K12. And because of the cost to us, we were not able to afford it. So this is free to us, so grateful is just the tip of the iceberg of how we feel. [LB634]

SENATOR GROENE: Thank you. [LB634]

JESA KESLAR: Sure. Thank you so much. [LB634]

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SENATOR GROENE: Next proponent. If there's no more proponents, any opponents? Neutral testifiers? If there's no neutral testifiers, then Senator Wayne can close on his bill. [LB634]

SENATOR WAYNE: Again, thank you for the opportunity to be here today and to listen to this new adventure I think our state needs to embark on. Again, being one out of six states left in the country in this world of education. It's time for us to lead in this area. And I just want to remind that we're focused here right now for kids who are typically homeschooled. These individuals still pay taxes and they're getting a service now that's free. You just heard about all the books they're getting, like they would in a regular school. We are using their tax dollars to help them in their situation when they choose to homeschool their kids. I think it's critical that, as we grow as a state in the education world, that we look for on-line, because the limits...or it is limitless. And I told you about the story that I had with Chicago and the different way that they're using it to engage inner city students. This is just one way OPS has decided to engage homeschool students. I think it's something our state ought to look at. And with that, I hope you will advance this, as soon as possible with our schedule, out to the floor so we can have a great conversation about that. [LB634]

SENATOR GROENE: Senator Kolowski. [LB634]

SENATOR KOLOWSKI: Thank you, sir. Senator Wayne, the remarkable aspect of TEEOSA-- and we've had it since 1990--and the changes we've gone through have had impact upon our world. One issue for example, in 1990 I talked to one of the individuals that was responsible for the implementation of TEEOSA and, in all their conversations, the word poverty never came up. That's almost unbelievable to think about today as we have that conversation. And the changes that we're looking at, some of us with different bills and all the rest, to examine TEEOSA and reexamine it, you're asking for the same thing--something new to be included, to be taken care of within the TEEOSA formula to help these parents and to help these students and families. And I think that magnifies the issues that we're seeing with our funding formula, as well as the opportunities to serve families in a better and different way. So thank you. [LB634]

SENATOR WAYNE: May I respond? [LB634]

SENATOR GROENE: Yes. I think that was a question. [LB634]

SENATOR WAYNE: There is a greater conversation around TEEOSA and equalized school districts and unequalized that has to take place, that I am confident that this committee will handle. And I think my conversations with Senator Groene, we agree on a lot of things regarding that. And I think that's a bigger issue that we have to study. But I think for the immediate future and the fact that Omaha Public Schools has already started this, we need to make sure we

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provide accurate funding for them, because that TEEOSA conversation might take two years, because that's a big conversation. But in those two years, we can actually pinpoint our revenue streams and our expenditures. And maybe Lincoln wants to copy this model, maybe Scottsbluff wants to copy this model. And with there being no fiscal impact right now, we can add this to the TEEOSA formula immediately so at least we get two years under our belt of what the model looks like and how this works as we have the big conversation that I know Senator Chairman Groene wants to have regarding TEEOSA in general. But I think the immediate need for this is important. One of the reasons why I was excited about introducing this bill, because this is what I think will change education moving forward across the state. And it provides, possibly in the future, the smaller rural districts the ability like in Kansas, where ESUs are working together, to provide unique opportunities for their students too. And I don't want to delay that waiting for our bigger conversation around TEEOSA. [LB634]

SENATOR GROENE: Any other questions? Senator Walz. [LB634]

SENATOR WALZ: I have another. Thank you, Mr. Chairman. Thank you. I am still trying to wrap my head around the teacher aspect of it. So where does this teacher come from that they're going to meet face to face with? [LB634]

SENATOR WAYNE: They are, Senator Walz, they are currently...I'm looking back. Omaha Public Schools employees, the teachers are, they work out of our teacher administration building. And then on Fridays, they are days they go out and interact with the students at the Do Space...is where we...off-site building in Omaha. It's kind of a like a virtual library and we have total top floor that we interact with the students on. But they are Omaha Public School teachers. The curriculum is different. We as a school board, two years ago or a year and a half ago, voted on a curriculum because creating an on-line curriculum is different than a book in front of us. So we went out to bid, had a competitive bid process, and selected a curriculum and a company to help manage that curriculum. But we have certified staff, certified teachers that are a part of Omaha Public Schools. [LB634]

SENATOR WALZ: Okay. But they're only teaching one day, the other part of the week... [LB634]

SENATOR WAYNE: They are still running like a regular classroom. They're still interacting, answering emails, and still interacting with kids. [LB634]

SENATOR WALZ: Okay. [LB634]



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SENATOR WAYNE: Via email or via however, messages, telephone. [LB634]

SENATOR WALZ: Okay. Not face to face. [LB634]

SENATOR WAYNE: Not necessarily. However, if students need extra help, they can meet with them. So it's not like you can only meet on that Friday. [LB634]

SENATOR WALZ: Okay. I was just having a hard time figuring that out. Thank you. [LB634]

SENATOR GROENE: Senator Linehan. [LB634]

SENATOR LINEHAN: Thank you, Mr. Chairman. I think maybe...let me ask the question in a different way. Are the people that are on, in the programs, the computers teaching these kids, they're not the OPS. It's not...who, when I turn...if I'm a fifth grader and I turn on the computer in the morning on my day--I'm not at OPS, who am I talking to? [LB634]

SENATOR WAYNE: It is the teacher. [LB634]

SENATOR LINEHAN: It's the OPS teacher? [LB634]

MARK EVANS: K12 is the curriculum provider. [LB634]

SENATOR WAYNE: I'll answer that. K12 is just a curriculum provider, it is just the teacher. [LB634]

SENATOR LINEHAN: So all these teachers are hired by OPS? [LB634]

SENATOR WAYNE: Yes. [LB634]

SENATOR LINEHAN: Okay, thank you. That's very helpful. [LB634]

SENATOR WAYNE: I knew that, but I wanted to turn my head around and double-check for the okay because I'm the one being transcribed. [LB634]

SENATOR GROENE: Any other questions? Thank you, Senator Wayne. [LB634]

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SENATOR WAYNE: Thank you, Senator Groene. [LB634]

SENATOR GROENE: We're going to take just a couple minute break and then Senator Kolowski will introduce LB484. [LB484]

BREAK

SENATOR GROENE: (Recorder malfunction) will be LB484, presented by Senator Kolowski. [LB484]

SENATOR KOLOWSKI: Good afternoon, Chairman Groene and members of the Education Committee. My name is Senator Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, representing District 31. I'm here today to introduce LB484 to create the School Financing Review Commission. The commission is designated...oh, excuse me. This commission is designed to have a broad representation of education interests throughout the state. I am open to any changes suggested in the makeup of the committee. The purpose of the School Financing Review Commission is to conduct an in-depth review of school financing in Nebraska. Nothing in the current Tax Equity and Educational Opportunity Support Act is off the table. As you know, we spend over \$1 billion on state funding to our public schools. It is time to have a full review of how we spend that money. We have heard from taxpayers and educators that we need to explore a new way to fund our schools. The formula is not equitable to property taxpayers and does not ensure that all of our students get the high-quality education that they deserve. Every year we tinker with the formula. We cannot, with our limited time, here on our own as legislators, come up with a new funding formula that works. We need buy-in from our school districts, educators, and taxpayers. This is the first step that we need to take to ask the hard questions and look for new solutions to our school funding needs. Thank you for your consideration, I would be happy to answer any questions you may have. [LB484]

SENATOR GROENE: Any questions from the committee? Senator Linehan. [LB484]

SENATOR LINEHAN: Thank you, Mr. Chairman. Thank you for bringing this bill to us, Senator Kolowski. [LB484]

SENATOR KOLOWSKI: Yes. [LB484]

SENATOR LINEHAN: I think in your opening statement said it would ensure that every student gets a...I can't remember the adjective you used...excellent education, appropriate, excellent education. [LB484]

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SENATOR KOLOWSKI: The high-quality education they deserve. [LB484]

SENATOR LINEHAN: The high-quality education they deserve. How would changing the funding formula guarantee that every student would get the high-quality education they deserve? [LB484]

SENATOR KOLOWSKI: Well, we would have the commission, as they would work on the equitable funding issues, hopefully make the first difference with the districts that they're on an even keel as far as the expectation of the money that would be coming to them on a yearly basis. Then it's up to the superintendent, Board of Education, the principals, the teachers in that district to put together the very best educational experience for those students. So it's very much of a team approach by every district--245 districts--we have, and for every opportunity...that we can, hopefully, meet to provide for that educational excellence that we desire so much. And we're already at a good place in our state, in this state, as far as the quality of what we have as far as curriculum, assessments, instruction, the direction that we're heading, and the scores that we have on a national basis. We can be very proud of those, and we want to make it even better across the board for all students, no matter where they live. [LB484]

SENATOR LINEHAN: So would you envision tying TEEOSA funding to outcomes in some way, if we're going to guarantee that every student gets a high-quality education? [LB484]

SENATOR KOLOWSKI: The outcomes would certainly be measured on a statewide basis as they are being measured now, and we would continue to do that. That would be something we would work hand in glove with the State Department of Education to make sure that those opportunities and those expectations are met in that way. [LB484]

SENATOR LINEHAN: So I...I still don't quite...I guess maybe I don't understand how we can use TEEOSA, which I would be interested in. Maybe that's something you think this committee is going to do, is to leverage the TEEOSA funding in some way with outcomes and accountability. If we're going to use it to ensure every student gets a high-quality education, I'm just not sure how we can...not that I'm not for that, I think it sounds wonderful, but how can we connect those two? [LB484]

SENATOR KOLOWSKI: Well, they're connected by the mere fact of doing school on a yearly basis. We're doing all of the things that we should be doing, and we want to even improve upon that more so. What you have to understand, Senator, is since 1990 we have this thing called TEEOSA. We have chipped on it, we've knocked pieces off of it, we've glued pieces back on it after someone had their chance to complain about something and they were passed. And trying to keep this thing intact and alive and well has not been an easy task. We have hurt districts when

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we make knee-jerk reactions about a specific area or title within TEEOSA, and that has not been a consistent model for funding for our state, for our schools. And there are many examples of where a district was treated unfairly, inequitably, by putting something in. And then depending on how you view that particular topic, it's then yanked out in a couple of years, which takes them off their trajectory of the excellence they were working on. [LB484]

SENATOR LINEHAN: For example, the Master Teachers Program, where the teachers have... [LB484]

SENATOR KOLOWSKI: As one example. [LB484]

SENATOR LINEHAN: As one example. [LB484]

SENATOR KOLOWSKI: As one of...there are many. [LB484]

SENATOR LINEHAN: So do you believe if we are going to provide \$1 billion or more per year, and where part of this--I guess it's the bottom line I'm trying to ask--part of this discussion would be how we hold districts accountable for the funding? If we're going to be 30 to 40 percent of the funding for schools, which I know is above where we are now by quite a bit. [LB484]

SENATOR KOLOWSKI: Yes. [LB484]

SENATOR LINEHAN: But if we were going to be that much, then do you think the Legislature would have...I mean, where do you think the line is between the Legislature having more input and more accountability from the schools if we're providing that much more money? [LB484]

SENATOR KOLOWSKI: That's why we have a State Department of Education. It's their job to make sure that the curriculum instruction and assessments are in place in the state and that the school districts are producing to that level of acceptability. [LB484]

SENATOR LINEHAN: But they don't work for us. The Department of Ed doesn't work for us, they have their own Board of Education that they work for. And we're the ones appropriating the money, so don't we have some obligation, the Legislature itself? [LB484]

SENATOR KOLOWSKI: Our obligation is to fund K-12 education in this state and then after that, as far as how far you want to get into the supervision or assessment of quality of what's taken place in the districts, that's not been the role of the Education Committee or the

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Legislature. We want to hold them to high regards and we take the scores and we take the data that is accumulated by the State Department of Education as our guidelines. [LB484]

SENATOR LINEHAN: Okay, thank you. [LB484]

SENATOR GROENE: Senator Ebke. [LB484]

SENATOR EBKE: Thank you, Senator Groene. Senator Kolowski, I think last week I received...probably everybody here received the letter from the Speaker raising some questions about the constitutionality of the commission and the mixture of the legislative branch and the executive branch and, you know, kind of the private. [LB484]

SENATOR KOLOWSKI: Sure. [LB484]

SENATOR EBKE: How would you respond to that and the question of whether or not this is a constitutional or appropriate type of commission based on the separation of powers and so forth? [LB484]

SENATOR KOLOWSKI: Certainly. I think it's a very appropriate direction that we're heading with this proposed bill. And where we're looking at the differences would be in what we might tweak in the bill as I have it right now that would better meet the specifications, if they are accurate, from the Speaker's Office. In the same way, we as a Legislature can't simply cherry-pick what we want to be possibly termed constitutional or unconstitutional. I served on the water sustainability fund process that we went through in the last three or four years in Natural Resources, and that was a complete mixed bag, just as proposed in this particular bill. And that was not judged to be unconstitutional in any way, shape, or form. So I might disagree with the Speaker at the present time with the potentials of what are in there. And we will be glad to adjust anything that we have to do as far as the number of people on the commission, where they would come from, or anywhere else. I don't see that as a constitutional issue. We would disagree on that. [LB484]

SENATOR EBKE: Okay, thank you. [LB484]

SENATOR GROENE: Senator Erdman. [LB484]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you, Senator Kolowski. [LB484]

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SENATOR KOLOWSKI: Yes, sir. [LB484]

SENATOR ERDMAN: There was a bill introduced in 2015, LB323. Is it similar to this bill, do you know? Do you remember that bill? [LB484]

SENATOR KOLOWSKI: I did not pull that up. No, I didn't. [LB484]

SENATOR ERDMAN: Okay. It was similar to LB940 that was introduced back in 1988 and, you know, this commission is going to review all forms of funding. Will it also review just elimination of TEEOSA and replacing with something that makes sense? [LB484]

SENATOR KOLOWSKI: I would hope with their putting this committee together they would have the opportunity to examine 49 other models that are out there in 49 other states and see what wisdom they have gathered over time that we might be able to look at and learn from as we work in the same direction. [LB484]

SENATOR ERDMAN: So as you envision this going forward for this next coming year, what do you think this commission...what do you think their objective will be for next year for us before we meet back in January? [LB484]

SENATOR KOLOWSKI: Well, we've outlined everything in the bill, as far as the dates, when things will be due. And the December 1 of 2018 is the deadline. They'll have the full two years of our biennium to be able to work on the issues because we set a budget at this point in time for the next two years. And not to upset that apple cart, we'll have to run with that as it comes out of our work this spring. But I believe the almost two year time period they would have to work on this would give them ample time to do the homework necessary to put the very best heads together to make recommendations, as they did in 1990 from that 1988 bill you talked about, to where we are today. We didn't have major adjustments from the last bill in 2015, I think it was, that you talked about, but we are in need...very greatly in need, if you talk to superintendents and to their boards and to the people that work for them, as far as making budgets work at the district level. We're in overtime right now. We need to have this looked at and we need a very specific process in mind to bring this forward to us to give us some answers. [LB484]

SENATOR ERDMAN: So after you said all that, that brings me to my next question. Why don't they get this done in a year, instead of taking two years? And this commission is set up to go for nine years, I believe. [LB484]

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SENATOR KOLOWSKI: Well, they would sunset it at that time in nine years, examining the work that would be done in sequence of years up to that point. But the two years matches our biennial budget process and everything that we do as far as the 90-day session and the 60-day session. So that fits nicely within our time period and they would have that study done and ready for us at the end of that second year. [LB484]

SENATOR ERDMAN: It don't fit very nicely with those people who are having struggles with TEEOSA. [LB484]

SENATOR KOLOWSKI: No, but we've struggled for a number of years with that. Let's do it right. If we do it fast and we do it quick, we do it wrong, we're going to pay a deeper price for it. [LB484]

SENATOR ERDMAN: So in your opinion, a year is too fast? [LB484]

SENATOR KOLOWSKI: There's a lot of expectations in a year that you would have to bring a lot of people up to snuff on the entire process and learning what that's all about. And we have those people in our state, there's no question about that. And you'll probably hear from some of them today. But we need to be careful, we need to analyze, we need to examine, and we need to look at what others do in other places that we might learn from, as well as retain the very best of what we have within that formula as we might be able to move it ahead. [LB484]

SENATOR ERDMAN: So is this similar to Obamacare, you got to pass it to find out what's in it? It seemed like that's what happened with TEEOSA. And I wasn't here when it happened, but it's cumbersome, it's misunderstood. [LB484]

SENATOR KOLOWSKI: We pass this, we do the work, and then we'll know where we are compared to your example of Obamacare. [LB484]

SENATOR ERDMAN: Okay. [LB484]

SENATOR KOLOWSKI: You'll get Obamacare if you do it quickly and in a hurry, without any forethought. [LB484]

SENATOR ERDMAN: This is peculiar to me. [LB484]

SENATOR KOLOWSKI: I'm sorry? [LB484]

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SENATOR ERDMAN: This bill is peculiar to me. [LB484]

SENATOR KOLOWSKI: That's how work is done. [LB484]

SENATOR ERDMAN: Or not done. [LB484]

SENATOR GROENE: Any other questions? Senator Pansing Brooks. [LB484]

SENATOR PANSING BROOKS: Thank you. Well, I want to thank you for bringing this bill forward because last year we had a long task force through the committee where we looked at educational funding. And I would venture to say that at least half of us on the committee are not educational funding experts. And so to me, to bring forward representatives from the districts that would be most affected and to bring together people that are tax administrators and head...commissioner of education, I think that's bringing together people with more expertise than necessarily our committee. And so I thank you for attempting to work on this, to try to pull groups together. Obviously you're looking at whether or not property taxes need to be adjusted or sales taxes or income taxes. I think it's highly appropriate that we approach the whole formula and find out what is working and what is not working and figure out how to do it. So I thank you for your efforts to move forward on this and try to deal with the problem that is TEEOSA right now. Thank you. [LB484]

SENATOR KOLOWSKI: Thank you, Senator. And I think really it would be helpful if each of you go back and talk to your superintendents in your districts and find out where they're coming from, whatever the...Class A, B, C, or D, whatever you're coming from, and ask them how the formula is working for them. [LB484]

SENATOR GROENE: Any other questions? Why do you think it takes eight years to do this? [LB484]

SENATOR KOLOWSKI: It's not eight years, sir. The eight years are the length of time they'll be overseeing what's taking place within the bienniums as we move on. They'll get this done within the next 18 months as you're looking at it. [LB484]

SENATOR GROENE: But they have no authority, so they're not really overseeing. They'll issue reports to what they think is working and what isn't? [LB484]

SENATOR KOLOWSKI: And the suggestions as to improvement, yes. [LB484]



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SENATOR GROENE: Why...none of these people are experts. Why wouldn't we just...the Education Committee has staff in the interim, we got the Education Department. It wouldn't take that much research to find out how 50 states...49 other states fund their schools. How much the makeup is and get a study of that and just see if a new makeup is feasible and bring it back to the committee through legislation. Why do we need to study it? [LB484]

SENATOR KOLOWSKI: It's deeply faulted at the current time. [LB484]

SENATOR GROENE: Yes, I agree with that, Senator Kolowski. We'll agree on that. [LB484]

SENATOR KOLOWSKI: Okay. [LB484]

SENATOR GROENE: And you'll find out in the next bill that nobody likes it. They all think they're not getting enough. [LB484]

SENATOR KOLOWSKI: Well, we can have a discussion on that another time. But what we're dealing with is a lot of people who are very good at this because they have to live with it on a daily basis. We have the people in charge of the budgets in each of the districts that are very well-tuned to all the nuances of this. And much more than anyone on this committee and our staffs throughout this building. We have some very knowledgeable and well-trained staff members that also know it very well, and it's important that we have the very best people at the table to get the very best information we can get to put this forward. Because doing something haphazardly, doing it to hurry up, doing it to just get it done is guaranteeing a larger mess than we have now. [LB484]

SENATOR GROENE: I don't see any...that's going to shock you, but we do have some experts working at schools that have been business managers for years. [LB484]

SENATOR KOLOWSKI: Absolutely, that's who I addressed. That's what I said. [LB484]

SENATOR GROENE: Where on your 20 members...members representing postsecondary education, I don't see where they would have the hands-on experience of the evolution of TEEOSA. [LB484]

SENATOR KOLOWSKI: Again, anything that you would like to look at, as far as the makeup of the committee, is open for discussion. [LB484]

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SENATOR GROENE: Thank you, Senator Kolowski. Any other questions? Thank you. Are you sticking around for...of course you're sticking around for closing. We got a fan now, so you might want to sit. [LB484]

SENATOR KOLOWSKI: It's even better with the fan. Thank you. [LB484]

SENATOR GROENE: Proponents. [LB484]

LARRY SCHERER: (Exhibit 1) Good afternoon, Senator Groene, members of the Education Committee. For the record, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, I work for the NSEA. Twenty-nine years ago, I worked for this committee and Senator Withem and Senator Moore were two senators that spent time with this. And at that point in time we worked for two years and came up with LB1059. There's probably about 30 percent of what is now TEEOSA is from the original and the rest is probably new by this point. We support this because it's time to go back to the beginning and reinvent something that works for our state, something that works for our schools. Biggest issue in my mind is about more balanced partnership between the state funding and the local funding, property taxes and state funding. And this is going to probably involve a restructuring of the state tax system we have. Right now there's no way we could really fund a different system with the tax structure we have. So it makes sense to me to have the Education Committee, the Appropriations Committee, and the Revenue Committee all involved in this. In partial answer to your question, Senator Groene, there's two members from each class of school districts, which there are three or four now. So that gets the school people on those, probably you'd get at least four business officers out of that group. The other thing that I think is terribly important is involving the business community and agricultural community, and you know, people, just ordinary citizens in this. And one of the reasons, Senator Erdman, that this takes longer than a simple interim study is that you really are doing a lot of things. You have to establish your principles, you have to generate the data. Those two things alone probably realistically will take a year. And then you need to come up with a plan, that's probably the end of this year, early next year. And then you have to somehow get statewide support for this. As you know, business in Nebraska and agriculture in Nebraska hasn't been united on a state school funding bill since LB1059. And that is a key piece to it. Right now we have a formula that doesn't work for two-thirds of the districts in the state. So that's why before you get to all that and actually draft some legislation, whether it's legislation or maybe even a constitutional amendment, it's going to take that long. You know, and I realize you're in a crisis mode now and you're going to need to do some tinkering with the formula once again, just to get the number where you need to get it. I'll be having some testimony on that soon, as well on LB409, but now is the time to start down that path of coming up with a better system. I'm pleased to answer your questions and, you know, I was just thinking 29 years ago I was 36 years old and the future was bright. I think it's still very bright for our state but, you know, this Legislature hopefully can take the bull by the horns and get started on this journey. It's not easy, it's not easy at all. [LB484]

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SENATOR GROENE: Thank you, sir. Any questions for Mr. Scherer? [LB484]

LARRY SCHERER: Thank you very much. [LB484]

SENATOR GROENE: So did you sit in LaMont's seat at one time? [LB484]

LARRY SCHERER: Yes, yes, I did. I sat as legal counsel for Education Committee for 8 or 10 years and that was long enough. [LB484]

SENATOR GROENE: So do you think it might be a lawsuit? There's talk of lawsuits, too, over TEEOSA. [LB484]

LARRY SCHERER: Yeah, I would think that eventually that there will be something filed again. That was out there at that time. There were a couple of brothers that lived over by Raymond that filed a lawsuit, Jack Gould and his brother, and that was pending. There was also a one-year appropriation for a property tax credit program, just like you have now, that was set to go out. I see where Senator Friesen has introduced a bill to not only get rid of TEEOSA, but also get rid of the Property Tax Credit Program. In other words, create a situation where you have no place to go to have to act. I'm not sure that's a good strategy or not, but at that point in time it was taxes were going to go up unless the Legislature did something. So and we know they have been anyway without creating a crisis. [LB484]

SENATOR GROENE: Thank you, sir. Any other questions? [LB484]

LARRY SCHERER: Thank you and good night. [LB484]

SENATOR GROENE: Next proponent. [LB484]

JON HABBEN: Good afternoon, Senator Groene, members of the committee. [LB484]

SENATOR GROENE: Could you pull the mic a little bit towards you? We've had transcribers say some of the... [LB484]

JON HABBEN: Like so? Does that help? [LB484]

SENATOR GROENE: Yes. [LB484]

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JON HABBEN: My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools Association. We've looked at several bills, I think Senator Erdman talked a little bit about that, as did Larry. We've looked at several bills over a period of time that kind of got into this discussion about how do we do this review regularly. How do we do it in such a way that we've got the right people doing it? And the conclusions they come to are something that, well, almost everybody can support. I see this, although this takes it a step further into the actual maybe removal of TEEOSA, and let's rewrite this thing. From a rural perspective, if you ask this question across rural one of the things they're going to look at you and say, well, fine, go ahead and rewrite it. I mean, how many nonequalized school districts do we have, why does this matter to rural school districts? Well, they all know it matters. I mean I don't think there's any doubt about that, because it has several elements to it, including property tax relief. But the issue really comes down to if you have a commission like this and it has an operating schedule, and it has people on it with the expertise that can bring good ideas together and discuss those ideas without a lot of acrimony, you've got a chance on improving TEEOSA. And from a rural perspective, it is yeah, let's improve TEEOSA. Let's...a rewrite kind of has one holding their breath. You know, what is it that we might end up with that we wish we wouldn't have? But I think in that same breath, you've got more and more school districts, not so much rural now, growing beyond rural, that are saying the formula is struggling, the formula does not adapt. It doesn't have a reactive component to it, other than mathematics. It's time to take a look at this. And after, well, let's see, since 1990, it's time to seriously take a look at it, as opposed to making this twist or that twist that may help a little here or may help a little there. And we get to that proverbial kicking the can down the road and then here we are two years later in that same circumstance and in that same discussion. NRCSA supports the idea of this commission. Don't know if you're able to support it and move it out of committee, don't know what tweaks it might have in order to go forward through the process. But we do believe this significant and serious review is a necessary component. Thank you. [LB484]

SENATOR GROENE: Mr. Habben, any questions? Senator Linehan. [LB484]

SENATOR LINEHAN: Thank you, Mr. Chairman. Thank you, Mr. Habben, for being here. I hope I said that right. Does it concern you at all the makeup of this group doesn't include, and maybe I'm just missing it, business interests or ranchers or farmers? [LB484]

JON HABBEN: It does in the sense that I say to myself people who know how to do this work might be the best people on this committee because it is so highly technical. If you ask citizens to serve on it, you may be acting more democratically, but are you contributing to the ability of the committee to do this level of work? Some of this work has been done in the past, by the way, and it's taken some rather costly consultants to do various kinds of things that maybe were accepted, maybe not. But the level of difficulty here, I think you have to say to yourself if I put this individual who doesn't really have any sense of what this discussion is in its technical

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aspects, in its relative connection with taxation, if I put this individual on this commission what am I asking that individual to do? [LB484]

SENATOR LINEHAN: Maybe I don't understand what the commission is, but I think what we're not...okay, so we spend \$4 billion a year, according to the U.S. Census Bureau, in Nebraska on education K-12. \$1 billion of that comes from the state of Nebraska. If we're going to rewrite TEEOSA I assume what we're talking about, and the conversations and what I've read and from...we're trying to figure out how so much of it is not on property taxes. Which means it must have to go somewhere else, right? Which means I know of two other taxes: income taxes and sales taxes. So it seems to me, if we're going to write a suggestion, because they obviously can't write the law, then we're going to have a suggestion that this is what we need to do, it might be beneficial to have some business or farm or ranch interests so they can have a check on where the money is coming from if we're going to do it differently. Or maybe I'm misunderstanding this. It's not a way to figure out where the money is coming from. [LB484]

JON HABBEN: Well...I think on first blush what it is, is about distribution and how that is proper, improper, fair, not fair, all of those kinds of things. Because in the end, that's what the school district is dealing with, is whatever it receives. It's a distribution issue. And that gets pretty technical when you start identifying and balancing needs, and deciding which needs weigh more than other needs, or maybe they all weigh the same, and how is it you go about that. The revenue side of TEEOSA, I guess I really don't have an objection to people in the private sector talking about where the revenue comes from, although we've got a number of bills this year, as a good witness to that, about where the money comes from and how we're going to argue our way through that. I really don't have any heartburn about having the taxpayer represented regarding the revenue side of the formula. That doesn't bother me. I think the most difficult part of this commission is determining how much is needed to fund TEEOSA and what does TEEOSA look like in its distribution to the school districts. And I have to admit a bias here. 170 school districts no state aid, no equalization aid; and another 20, 25 above that, minimally equalized. 6 percent of total state aid is all that C and D districts together receive, so from a biased standpoint, I'm going to say to you, well, I think I'd like to have this thing written so that it reflects the folks I represent: rural Nebraska. Somebody else is going to come from a different direction. You need both sides represented. [LB484]

SENATOR LINEHAN: Okay. So do you see this as a bill to relook at how we fund TEEOSA and how much we fund TEEOSA? [LB484]

JON HABBEN: I think it's how we fund TEEOSA and it's how we distribute TEEOSA. [LB484]

SENATOR LINEHAN: Not about how...so it's not about changing the \$1 billion? [LB484]

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JON HABBEN: It may end up going that way, because it's entirely possible that this commission may look at that and say, you know, it's going to take \$1.4 billion. [LB484]

SENATOR LINEHAN: All right, I've taken enough. Thank you very much. [LB484]

JON HABBEN: Yeah. [LB484]

SENATOR GROENE: Any other questions? Senator Erdman. [LB484]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you for coming. I went back and looked up LB323 and obviously this was Senator Davis' bill and he must have thought the commission was going to appoint was far smarter or able, more capable. He was going to set this up at the end of the 2015 legislative session, the commission was supposed to exist until December 31 of 2016 and they were to have a report done...if I look back here, electronically report the file for the Legislature by December 1, 2016. And his fiscal note was the same, \$100,000. And so evidently, I don't know what Senator Davis was thinking, but evidently he thought they could do it in one year. Were you here when they did this? [LB484]

JON HABBEN: Yes. [LB484]

SENATOR ERDMAN: How did you testify on that one? [LB484]

JON HABBEN: I think I testified...I'm sure I testified in support of it. There were actually two bills, one was Senator Davis' bill and then there was another bill that looked at more of a school finance review monitoring. And then there was Senator Davis' bill, which had more people identified as participants. [LB484]

SENATOR ERDMAN: 19. [LB484]

JON HABBEN: Yeah. You know, I wish I could tell you that it's sort of the blue ribbon committee kind of a thing, so is it really going to make a difference or is this a waste of time. I think the struggle right now is where else do we go? You know, if we don't do something like this to have that kind of a review and take a look at this...and one year...I have to admit, when all of us looked at that as a one-year piece, we all looked at each other like saying, seriously, one year? How on earth is that even possible? So when somebody says this is probably going to take two years, I'm saying yeah, it probably is. It's just plain that difficult. And it's political too. We can't ignore the fact that we all come at this from our particular political bent, and that

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complicates trying to write the formula for everybody in the state of Nebraska. I mean, it might be asking the impossible. I'm not sure. [LB484]

SENATOR ERDMAN: But your school districts that you represent are in need of some help now, right? [LB484]

JON HABBEN: The school districts I represent are at the...they've had to raise their property taxes up to make up for all losses. And the pressure that they are facing, their board members and obviously then their superintendents, yes, they are looking at how do we change this thing, because it's growing on us and it's growing on us and it's all being laid on property tax. [LB484]

SENATOR ERDMAN: So you're okay going back and telling them there may be something happening in a couple years? You're okay with that? [LB484]

JON HABBEN: I'm okay with it simply because they all know that it's going to take time. But could we say two years for sure, instead of maybe? I think that's the tough part. [LB484]

SENATOR ERDMAN: Maybe is the best answer. We've had a lot of commissions set up here in the Legislature that have done nothing. [LB484]

JON HABBEN: I understand that. Removing maybe, yeah, that would be a good idea. [LB484]

SENATOR GROENE: Any other questions? I was with you until you said we could do it without acrimony. You know we're 16th in the nation now spending per student. Taxpayers don't have to apologize for anything in this state. [LB484]

JON HABBEN: No. [LB484]

SENATOR GROENE: But 16th total per student, we're 49th state in whatever it is...property taxes. But there are those within the system that do quite well, that get an awful lot of state aid, and there are those who don't. So how do you propose doing this without acrimony? That's our problem now, those who have don't want to share with those who don't because if we come up with one more dollar they get most of it. And I'm not...that's the way the game is played. When you have, you want to keep it. So how do you propose doing this? Is that why it takes eight years? [LB484]

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JON HABBEN: Well, when I say without acrimony, that's a wonderful hope. It's like people could objectively come in and take a look at what is and what isn't. That is a hope. I mean, I won't disagree in the sense that have at times large and rural butted heads repeatedly? Oh, yeah. Yeah, there's nobody is surprised by that. And it has to do with scarce resources and it has to do, for example, if in rural Nebraska all that money that left over the last seven years, it funded the growth of TEEOSA with equalized districts. The state didn't put in new money, 95 percent of that money went to our largest districts. And the catch is they didn't do anything different, they just met the criteria for having the needs they have. So it wasn't like they were artificially doing something to create need, that's just the way it multiplied out. Well, instead of the state having to put in that \$50 or whatever additional dollars, that \$50 or so additional dollars simply flowed away from rural to our larger, equalized districts. [LB484]

SENATOR GROENE: Thank you. Any other questions for Mr. Habben? Thank you. [LB484]

JON HABBEN: You bet. [LB484]

SENATOR GROENE: Proponents. [LB484]

RENEE FRY: (Exhibits 2, 3) Good afternoon, Chairman Groene, members of the Education Committee. My name is Renee Fry, R-e-n-e-e F-r-y, I'm the executive director of OpenSky Policy Institute. We're here today to testify in support of LB484. We believe this is the best vehicle to develop a solution to our heavy reliance on property taxes to fund K-12 education, a challenge in education funding since long before TEEOSA was created. While TEEOSA initially had some success in reducing property taxes, changes to the formula that were made to reduce the state's funding obligation hindered meaningful property tax reduction. Recently, the spike in agricultural land valuation has further reduced the state's share of K-12 education. As a result, our heavy reliance on property taxes to fund education in Nebraska today looks eerily similar to when TEEOSA was first passed. We cannot continue to rely on short-term tweaks to the formula in the hopes that long-term property tax relief will ensue. We believe that LB484 will provide an important opportunity to reevaluate our state's system of school finance in a comprehensive way. This bill would serve a similar purpose to the first School Finance Review Commission, created in the late 1980s: to examine the state's school funding system and our reliance on property taxes to fund K-12 education. In the report issued by the original School Finance Review Commission, the commission found two major policy problems with the way Nebraska funded its public school system: that the system was too reliant on property taxes to fund K-12 education and that the system therefore did not ensure equity for taxpayers nor equity of education for students. The TEEOSA formula was an effort to address these issues through components such as equalization aid, as well as including income taxes as a district resource. As you can see in the handout provided, property taxes did go down as a share of the economy, hitting its lowest point in 1999.



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Some might argue that this reduction in property taxes didn't last because schools have been overspending. However, you can also see in the handout school spending, as a share of the economy, has been flat for the last 15 years. Furthermore, a report done by LFO in 2015 found that school spending growth in our state over the last decade has been at its lowest level in 30 years: averaging 4.1 percent growth in general fund spending. Instead the lack of property tax relief has been the result of declining state support for K-12 education as shown in the third chart on the handout. This trend is partly the result of the Legislature's tendency to tweak the formula whenever the state has a projected budget shortfall, like now, or when the TEEOSA increase, according to the formula, is just more than the Legislature wanted to spend. One such change was capping the allocated income tax, which sends income taxes paid by residents in a district back to that district. In 1996, it was capped at \$102 million, which by FY17 represented only 2.1 percent of income taxes paid, in contrast to 20 percent, as originally intended. Another example was during the great recession, when we used ARRA funds to supplement K-12 education funding, but then didn't increase state dollars to replace the federal funds when they went away, instead choosing to change the formula during the 2011 session to reduce the state's share. Recently, agricultural land valuations have increased dramatically, rising over 231 percent since 2007, compared to 31 percent for commercial and 19 percent for residential. This has led to a significant increase in resources for many districts and consequently a dramatic reduction over that same time period in the percentage of districts that are equalized; from 81 percent in FY09 to 31 percent in FY17. As a result, our education funding system today is as highly reliant on property taxes as it was when the initial commission was prompted. At the time the commission was established, state aid to education was declining as a share of the economy. Likewise, the Appropriation Committee's preliminary budget would take K-12 funding to a historically low level as a share of the economy since the implementation of TEEOSA. While TEEOSA doesn't seem to be working for rural agricultural property taxpayers, the state K-12 funding formula isn't working that well for urban districts either. The average levy of the most urban school districts is \$1.05, compared to 59 cents in the most rural districts. Meanwhile, many urban schools are facing increased needs due to growing enrollment, increased poverty, and other challenges. And state aid isn't predictable or stable, creating budgeting uncertainty that property-rich districts don't have to worry about. Our K-12 funding formula in Nebraska is complex and more than a quarter of a century old. While tweaks have been made along the way, the level of frustration about the formula from both rural and urban districts signifies that it's time for a new formula. Thank you for your time, I would be happy to answer questions. And I would be happy to address some of the concerns or issues that were raised relative to LB323 from two years ago. [LB484]

SENATOR GROENE: Thank you. Any questions? You made the comment which I hear a lot, equalized districts at \$1.05 urban and some rural at 60 cents. But you do understand in your study that we don't pay our taxes in mil levies, that if you had ag land at \$1,000 and you were paying \$1.05, you pay \$10.50. And in 10 years it went to \$4,000, and you're paying a levy of 60

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cents, you're paying \$24. Well, the residential might have gone up 20 percent over that time. [LB484]

RENEE FRY: Right. [LB484]

SENATOR GROENE: What you pay your taxes then has not gone up near as much in equalized districts as it has in rural. Is that a correct statement? [LB484]

RENEE FRY: Yes. [LB484]

SENATOR GROENE: Thank you. Your total property tax is levied statewide for \$1,000 of Nebraska personal income. You divided all property taxes into the income or all income taxes into the property taxes? [LB484]

RENEE FRY: As a share of personal income, yes. [LB484]

SENATOR GROENE: That's all property taxes? [LB484]

RENEE FRY: It is. [LB484]

SENATOR GROENE: Not just school districts? [LB484]

RENEE FRY: Right. We could look at it separately and look at it just school property taxes if you were interested. But this is all property taxes, yes. [LB484]

SENATOR GROENE: All right, thank you. Any other questions? Senator Linehan. [LB484]

SENATOR LINEHAN: Thank you, Mr. Chairman. Thank you for being here, Ms. Fry. So on these charts, I mean, I just want to understand them. So property tax is levied statewide per \$1,000 of personal income, so is that...so all the income in the state divided by...how did you...what's the formula for this chart? Let me ask it that way. [LB484]

RENEE FRY: Yeah. So it's looking at the income, yeah, income in the state divided by property taxes paid. [LB484]

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SENATOR LINEHAN: But the income by...I guess the only people that pay income taxes are people who make money. So is it per... [LB484]

RENEE FRY: Not income taxes, income. So we're looking at income, yeah. [LB484]

SENATOR LINEHAN: Okay. So this is personal income. [LB484]

RENEE FRY: Yes. [LB484]

SENATOR LINEHAN: And then so this is all the income in the state divided by property taxes? [LB484]

RENEE FRY: Yes. [LB484]

SENATOR LINEHAN: Okay. School spending flat in recent years per \$1,000 of personal income. You don't mean to imply that school spending has been flat for the last decade, do you? [LB484]

RENEE FRY: As a share of personal income. [LB484]

SENATOR LINEHAN: But it hasn't been flat. [LB484]

RENEE FRY: No, but you have inflationary costs which necessitate growth, just like we have in state government. And so we look at it...is the average person paying more of their income in school spending? And they are not. Does that make sense? [LB484]

SENATOR LINEHAN: Do you know how much...so the average has been 4.5 percent increase? [LB484]

RENEE FRY: 4.1 percent, yes. According to the Legislative Fiscal Office. [LB484]

SENATOR LINEHAN: For the last what? [LB484]

RENEE FRY: That has been over the last decade. [LB484]

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SENATOR LINEHAN: Okay. And finally, below historic average. So historic...you just mean since we've had TEEOSA? [LB484]

RENEE FRY: Correct. [LB484]

SENATOR LINEHAN: Okay. All right, thank you very much. [LB484]

RENEE FRY: Sure. [LB484]

SENATOR GROENE: Any other questions? [LB484]

RENEE FRY: I'd be happy to speak to LB323 if Senator Erdman would like to have a conversation. That was Senator Davis' bill, and the timing issue that you raised. [LB484]

SENATOR GROENE: Do you have a question, Senator Erdman? Guess you can't speak to it. Go ahead. [LB484]

RENEE FRY: Okay, thanks. So I wanted to mention LB323, which was introduced by Senator Davis. It was actually...it's on the same time frame that this bill is. So in 2015 there were two bills that were introduced. One was a School Finance Commission, the other one was a School Finance Committee. And the commission would have required a report due in a year-and-a-half time frame, as this bill does as well. This bill incorporates the other bill that had a committee that continued, just like the initial School Finance Review Commission had an initial commission, they issued a report in the same time frame as this proposal, and then they had a School Finance Committee that continued to monitor TEEOSA to see how it was working, whether changes needed to be made. And then that was abandoned. I'm not sure how many years into it, Larry behind me would know, the commissioner would likely know that as well. But that was abandoned and so this bill, as I understand it, really takes Senator Davis' commission, with the same time frame, as this bill. But then...and the final report is due within that year-and-a-half time frame. But then this commission would continue to operate to make sure that implementation was working and all of that. So it was really a combination of those two bills from 2015. But the initial report is on the same time frame as Senator Davis' initial bill. I would also mention that in 2015 that bill had 37 co-sponsors and had a priority designation and did not get out of the Education Committee. The Education Committee opted instead for an interim study that didn't go anywhere. And so I know you have concerns about studies, but my experience as someone who works in and around the Legislature, and I was a legislative staff in the late '90s and early 2000s, and my experience is that when you have these formal commissions, you are more likely to have a viable product at the end, much like the School

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Finance Review Commission, than doing an interim study. And so my suggestion would be that if this had advanced and been prioritized two years ago we would be having a different conversation than we are today. And so because there is that year-and-a-half time frame, I would hope that you would consider moving this forward. Otherwise, I fear that we're going to be here again in another two years. [LB484]

SENATOR GROENE: Any other questions? You say, furthermore, report done by LFO in 2015 found that school spending growth in our state over the last decade has been at its lowest level in 30 years, averaging 4.1 percent. The first part of those 30 years was the '80s and you know what inflation was then. And you do understand that compounding, when you start getting \$1 billion, \$2 billion, \$3 billion and when you take that times 4 percent that's a pretty good chunk of an increase for stagnant student populations. So percentages really sometimes can make liars out...and I'm not saying you're a liar, but make the story slanted towards the way we would like it to be. [LB484]

RENEE FRY: So one of the things that the Fiscal Office found that I think was really important was they talked about the migration patterns in our state. And so what they found was that in rural areas, where they are losing students, they still had teachers to pay and they had roofs and they fixed costs, right? And so those fixed costs would increase by inflation. So you have...in rural Nebraska costs are increasing by inflation. And then in urban areas they're gaining enrollment because of a migration from rural to urban. And so the LFO report found that in urban areas then growth is growing by inflation plus enrollment costs. And so I think you really need to take into consideration and looking at that migration pattern that we have. And I think and what LFO found is your costs, so long as this migration continues, your costs are always going to grow faster than inflation because you've got...you still have to provide that basic education in the rural areas, where you don't have the same type of efficiencies that you do in the urban areas. But then in districts like Lincoln and Omaha, they have to add new buildings due to migration, where you've got LPS I think is gaining like, what, 1,000 students a year? And so you're going to have costs that are going to exceed inflation just because of the migration patterns in our state. And I think that's a factor that this commission could have a conversation about. But I don't see how you get around that. [LB484]

SENATOR GROENE: (Exhibits 4, 5, 6) Thank you. Any other questions? Thank you. Very informative. Any other proponents? There was three letters of support for LB484: Dr. Mark Adler, Ralston Public Schools superintendent; Nebraska Council of School Administrators; Troy Loeffelholz, Columbus Public Schools superintendent. And I forgot to say earlier on LB634 that we had one testifier letter of neutral from Nathan Leach from Lincoln on LB634. So if the transcribers would put that in the right place, I'd appreciate it. Opponents to LB484? Neutral? [LB484 LB634]

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MATT BLOMSTEDT: Good afternoon, Senator Groene, members of the Education Committee. I'm Matt Blomstedt, B-l-o-m-s-t-e-d-t, and I am the commissioner of education. I come in the neutral capacity as the State Board of Education chose to take a neutral capacity in this particular bill. But really I am here to talk a little bit about I was actually a former member of the School Finance Review Committee, not the commission that existed in 1990, but the committee. And I was appointed by Senator Johanns and for one year I served on that committee before it was disbanded. And what I would talk to you just a little bit about is the notion of thinking about how we build the capacity to make solid policy conversations, solid policy decisions for the future. And I think that's going to be really important. Regardless if you go about it with this commission or you go about it in your work with the committee or in some fashion that we gather up the right people and we have the right conversations, I think it's important that we do that as effectively as possible. I would tell you on the point of capacity, I'm...just so you know, I don't get often to give out kudos to the taxpayers of the Palisade Public School District, but I graduated in 1990. My dad was a member of the school board, I grew up listening to school finance and the dire straits that we were in as a school district at a point in time where the ag land property taxpayers were certainly struggling. In fact, struggling so much that they weren't paying their taxes. And my dad was at one year treasurer of the school board at that point. And we actually were very concerned that they couldn't even operate the school up to about October, I mean, that the money actually just simply wasn't there. And so it was actually a pretty tenuous moment. I was probably I think either a freshman or sophomore in high school. I remember my dad saying well, I don't know how we're going to do this. And if you remember just a little bit of the only little inkling of hope in southwest Nebraska at that point in time was there was oil found on certain areas. And suddenly the district ended up with money coming in and ended up with over the FDIC-insured amount for funds available to in the school district's bank. And the fact of the matter is a local banker called and said, hey look, you need to move that money, and the next day the FDIC came in and shut down that bank. I will tell you I've lived through rural crises. I happen to have the opportunity to be the director of the Nebraska Rural Community Schools Association, I happen to have worked here out the Education Committee. I will tell you that actually we have to find a way to actually resolve issues, from a policy perspective, that are quite complex. The Department of Education is here to do that work, but I need to do it with you. I can't do it separate from you. I need to do it with the committee and find some way that we can reasonably have a conversation to be able to move us forward. I'm dedicated to that. If that means this commission and that you find that appropriate, that's fine. If you think some other way of doing that, I also find that to be fine. The reality is we're going to have to organize up our capacity in order to do this and have this conversation effectively to end up with an end result that we think is appropriate for Nebraska. With that, I take my whole three minutes on a story. But that's how it goes. [LB484]

SENATOR GROENE: Any questions? Senator Linehan. [LB484]

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SENATOR LINEHAN: Thank you, Mr. Chairman. Thank you, Mr. Blomstedt, for being here. Or Dr. Blomstedt, I'm sorry. I appreciate it very much. So you bring a point talking because I know we've talked before. I remember the '80s well and banks shutting down and people going broke and not being able to pay their taxes. And one of my concerns is we disconnect the conversation about what we can pay for education from what people really actually can pay. So I welcome those comments very much. Thank you. [LB484]

MATT BLOMSTEDT: You're welcome. [LB484]

SENATOR GROENE: Was that a question? [LB484]

SENATOR LINEHAN: It wasn't. I meant it as one, but I forgot. Sorry. [LB484]

SENATOR GROENE: So your school district when you were a kid was short of money. [LB484]

MATT BLOMSTEDT: Yeah, it absolutely was. [LB484]

SENATOR GROENE: You seemed to come out okay. [LB484]

MATT BLOMSTEDT: We went to a four-day school week. And I'll be honest, we went to that because of transportation and other things that weren't recognized in a school finance formula, so I say I'm usually about 80 percent right. [LB484]

SENATOR GROENE: So...that was a good one, I'm going to borrow that. [LB484]

MATT BLOMSTEDT: That's my only good one. [LB484]

SENATOR GROENE: Anyway. But nobody has ever decided or ever come to a conclusion how money plays into a good education. [LB484]

MATT BLOMSTEDT: Yeah, I mean I think there are conversations...(interrupted). [LB484]

SENATOR GROENE: And the correlation on that. I could tell you my history of a small school and teachers who made me read books, one after another, with no money and no meals. And then I could tell you stories about relatives that went to schools with a lot of money and I think I got a better education. So how do we come to a conclusion? What study could we possibly do to say this is how much money we need? Because if you give it, it's going to get spent. [LB484]

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MATT BLOMSTEDT: Yeah. I think, first of all, I mean, it comes down to those philosophies of where we want to be as a state. And I think getting to that agreement is absolutely critical. Because I think you're right, people can argue, hey look, we need X dollars more to give a quality education, I guess is one of the prior conversations was about. But the reality is you get to the notions of in Nebraska we have...and it was, you know, around equity, right? It was around that there was a conversation of equity in the sense of what taxation looked like. There was a conversation around the opportunities for students and the equity of those opportunities. And when you look across the state, I actually think we should be quite proud of what we've accomplished, from a school finance perspective, within Nebraska. It's just not where it needs to be. There hasn't been kind of the minding the ship and making sure that that gets done. The purpose of the School Finance Committee that I was on, and I'll tell you, U.S. Senator Deb Fischer was on that committee with me as well. I mean, she served on that particular committee. We built capacity to understand what was right. There was something that happened at that time frame, we had a lawsuit that actually took us to a different conversation and a different path. I will tell you I couldn't have also predicted that we would have had the type of ag land growth when I...and the type of ag experience that we have from an ag income perspective from what I grew up in Palisade. So I don't think it's just the...we have to come up, we have to have a way to have the conversation. If it's this way, or if you want to discuss other ways, I'm more than willing to think about that with you about how we best do that. [LB484]

SENATOR GROENE: But in Nebraska that lawsuit was over how we paid for the education, not adequate education. [LB484]

MATT BLOMSTEDT: Well, we've had a couple that did talk about adequacy actually, and so there was a conversation that didn't come to fruition. There was one court case, and I'm not going to get the right year, Schuyler was involved in that court case about a decade ago. And there was a U.S. Supreme Court decision at that point, so if you go back and look at what they found at that moment in time, adequacy was one of those things that tied back to how students performed. And actually you would say, hey look, Nebraska is probably not one of those states that would have fallen into that adequacy category. But we were one of those states that fell into an equity category. And I think when you look at lawsuits, and again, not meaning to be flippant necessarily, but when the Legislature goes through and conducts work on legislation...now in this interesting position I find myself with my own histories as Commissioner of Education, well, the Department of Education typically gets sued in that. We have a responsibility. Because of that responsibility I think we ought to contribute to the thought processes that are necessary with you. I truly mean that, with you as a committee. [LB484]

SENATOR GROENE: One more question. Senator Kolowski answered a question and said the only responsibility of this body is to fund education. But isn't everything you do based on a directive from this body? [LB484]



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MATT BLOMSTEDT: I don't know if everything is, but a lot of it is, right? That we talk about it, we're established in the Constitution that the State Board of Education is elected. They hire me, but a lot of the responsibilities come through statute and legislation. Also on a federal level as well, that we have a responsibility there. I will tell you I feel our responsibility is much deeper than just funding for your perspective or accountability for mine. It's actually about doing something to ensure that every student has a solid educational experience. I don't know, I mean, I probably can agree with Senator Groene on that point about is that just about money. It's absolutely not. There are a lot of other things that matter to a solid education. And I think we have to pair up and play those responsible roles together: the State Board, the Commissioner, the Legislature. And really, you're my first entry point to that conversation with the Legislature. So how we organize that work for the future is critical for Nebraska. [LB484]

SENATOR GROENE: Thank you. Any other questions? [LB484]

MATT BLOMSTEDT: Thank you for the opportunity. [LB484]

SENATOR GROENE: (Exhibit 7) Any other neutral testifiers? Again we have one letter...nope, we have no letters on neutral. Nathan didn't have time to write that letter. So would you want to close, Senator Kolowski? [LB484]

SENATOR KOLOWSKI: Senator Groene, thank you. And committee members, thank you for this time today. For each of the testifiers, I want to thank them also for coming out and for the quality of the responses and the answers they have shared with us as well. I think it's really important that we look to our left and look to our right in this half-moon of a committee and understand the charge that's before us and the opportunity that we have before us that won't come along every day. We have an opportunity to make a difference in something that's extremely important for the educational funding of this state and the direction of the future for many of our students, all of our students as they move through the systems that they're situated in. I have three more years after this one. I hope we can get this done within this time period, because if we keep kicking the can down the road, we'll still get the same answers, we'll still have the same confusion, we'll still have the same factions, we'll still have the same fights going on that we have today. We don't need those, we don't want those. We can change and we can make a difference, just as the group in 1990 made a difference with the major changes that the state was going through at that time. This is part of the direction we have to go. Not need to go, it's a have to go. If you don't see it that way, then we'll be remembered as an Education Committee that acted a certain direction, and that will be to our detriment as far as what the state needs and where we need to be as far as education is concerned. So I place that before you, I know it's a very important issue within all that we're doing. I have personally said, not just to Senator Groene, but the Appropriations Chair and the Revenue Chair, all three of those Chairs and all

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three of those committees must be interwound as to what we're doing in this area. Otherwise, we won't get an answer for where we need to be and what needs to be done in our future. Thank you. [LB484]

SENATOR GROENE: Any questions for Senator Kolowski? Senator Ebke. [LB484]

SENATOR EBKE: Thank you. Senator Kolowski, you mentioned something that's kind of been gnawing at me. You said you have three years. You are the most senior member on this committee and, in terms of time, the rest of us, best-case scenario, I guess some of them could be here another seven years. [LB484]

SENATOR KOLOWSKI: Sure. [LB484]

SENATOR EBKE: And three of us I guess will be here five years, best-case scenario. So does that complicate the creation of some of these commissions? You know, we heard the names of Ron Raikes, Ron Withem. I did a quick Google search and Senator Raikes served 12 years, Senator Withem served 14 years. Then you go back to somebody like a Jerome Warner who served kind of forever. [LB484]

SENATOR KOLOWSKI: Sure. [LB484]

SENATOR EBKE: I'm not sure exactly how long, but for quite some time. And does that complicate the creation of some of these commissions because you have so much turnover just in a very short period of time, and it's harder to build a vision, to develop a vision of where we should go and have a length of time to carry it out? [LB484]

SENATOR KOLOWSKI: Senator Ebke, you're absolutely right. And this is one of the challenges that we have with the term limits and where we find ourselves at the current time. The other four years I had on this committee...the failure to act, as far as the chair, and with others, other chairmen, other committees on this particular topic led us to right where we are today. And if we want to have that same piece repeated for the next two years and the two years after that, then we'll just keep passing it on to whoever gets reelected or whoever comes back for a second term or whatever else, and it won't get done. We've got to be better than that, we've got to do the long-range planning and the execution to get this moving forward and to have the possibility of the piece and fairness, equity, across the board for all of our districts and all of our students. [LB484]

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SENATOR EBKE: I guess my concern, and I don't necessarily disagree with anything you've said there, but one of the problems we've got is that long-range planning is awfully tough to do when you can't be reasonably certain that you're going to have a chunk of the people that are there that are going to be there over the long range. I mean, when you keep playing, you know, when you pass you're playing relay basically. You're passing the ball to somebody else. We're having the same problem of course in the Judiciary Committee, the committees that have gone on there. And so I mean I think it's problematic because there's so much ramp up time for the new people as they're trying to get, you know, get reacclimated. So I mean, that's my concern, in addition to the constitutional questions that the Speaker raised. But thank you for bringing the bill. [LB484]

SENATOR KOLOWSKI: I thank you for your comments. And the opposite for the reaction, the flip side of all that you're talking about is doing nothing. That's unsatisfactory. We can't do that, we can't kick this can any further down the road than we've been kicking it. My shoes are scuffed, the can is dented, it's falling apart, and the road is muddy. We can't win that battle. We've got to do a better job, and with staff and with chairmanships and with participation of committee members like yourselves, like all of us, we have to make that statement and say this has to be done. This is part of where we need to be. If we don't do that, then the blame will also fall, just like part of that happened in the last four years. What you heard about two years ago, that was just a committee, a commission...not a full commission, just in an interim study. It had no power, had no history, had no length, no impact beyond oh, that's nice, let's read it. Senator Erdman said we've got a lot of things we just read and put on the stack. We've got to do better than that. This has to be changed, oriented, and believed in by all. Otherwise, we miss the mark and miss our opportunity. Thank you. [LB484]

SENATOR GROENE: Thank you, Senator Kolowski. [LB484]

SENATOR KOLOWSKI: Any other questions? [LB484]

SENATOR GROENE: That ends the hearing on LB484. We'll take a small break while I'll present the next bill and Senator Kolowski will sit in the chair. [LB484]

BREAK

SENATOR KOLOWSKI: The next bill is LB409. Senator Groene, welcome. [LB409]

SENATOR GROENE: Thank you, Vice Chairman Kolowski, members of the Education Committee. For the record, my name is Mike Groene, that is M-i-k-e G-r-o-e-n-e, and I represent

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the 42nd Legislative District, here today to introduce LB409, the bill I prioritized...the committee prioritization to match the adjustments we have to do to match what the Appropriations Committee and the Governor gives us in increased state aid. I should note that I have prepared and distributed to you an amendment to LB409, and that amendment is AM474--the original bill we just dropped as a shell bill to have something in place and to stir people up-- which should be in front of you. Since AM474 replaces LB409 entirely, I will spend my time today talking about that amendment. AM474, in simple terms, would revise the Tax Equity And Educational Opportunity Support Act--TEEOSA--by setting the base limitation rate, also known as the budget growth rate, at 1.5 percent and sets the local effort rate at 1.02030 and the funding net option at 95.5 percent of the total. The net effect of these changes would be to reduce our state aid obligation from an estimated \$1.046 billion to roughly \$999.9 million, a difference of roughly \$47 million. The \$999.9 million amount reflects the Appropriation Committee's estimation that we increase funding by 2.1 percent or \$20.8 million over 2016-17's \$979 million. The \$20.8 million would be less than the expected \$68 million, but still an increase. The changes to the base limitation, local effort, and the temporary aid adjustment would be for the 2017-18 and 2018-19 biennium school years. It also should be apparent that as our current fiscal climate is of a fluid nature, we may need to make additional reduction in the over all state aid amount, if being necessary between now and final passage, by reducing the base limitation rate, basic allowable growth rate under Section 77-3446 from the current 2.5 percent to 1.5 for school districts. If you look at the amendment, you'll note that this is exactly what basically in some form what we did, this body did, in 2012 and 2013 the last time, and 2013, 2014 the last time we had a problem with funding. LB409 would reduce the amount that school districts can increase their budget under current status from 5 percent for 2017-18 down to 4 percent, and down to 3 percent for 2018-19. The 2017-18 budget growth at 4 percent is arrived at when you take the current base limitation rate of 2.5 percent, which has already happened in 2016-17, and adding it to the 1.5 percent rate for 2017-18. Most in the room know that we are two years behind with numbers. We are using 2015-16 numbers for 2018-19, so we take 2.5 percent twice to get to the newest TEEOSA formula. The 2018-19 base limitation growth rate of 3 percent is arrived by taking 1.5 percent amount for 2017-18 and 2018-19 school fiscal years. We all know we have a biennium budget, so we have to look out another year. We will probably, hopefully, be changing that next year, if our revenues increase. We might be taking it further if revenues decrease. This change provides the necessary budget growth needed for school districts to meet their financial obligation in educating our students, while realizing the fiscal crunch that the state is in by reducing the rate of budget growth that would have otherwise occurred. On all of these, with the complicated, basically I'll say it, unfairness of the TEEOSA formula, each one of these changes affects different school districts differently. Some are up there against their growth rates, some have excess growth spending authority, some survive on that 2.5 percent a year to increase their funding. Local effort rate. The change to the local effort rate, LER, is accomplished by amending Section 79-1015.01 to change the rate from \$1 to \$1.0203 for the purpose of recognizing an increase in the level of local resources accountable to school districts under the TEEOSA

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calculations for school fiscal years 2017-18 and 2018-19. The effective increase in the amount of local resources to a school district under AM474 is that some districts will be able to satisfy their fiscal needs locally for purposes of state aid, and the state will be able to reduce the amount of funds we otherwise would have paid out. Basically, we're putting more pressure on property taxes there. Net option funding. With the changes last year, I believe it was in LB1067 or LB1066 or LB959, I think it was one of the LB1066 where we, because of the common levy and changes there, we changed the statute where we used to cap net option funding and income tax allotment at \$102 million. Option came out first and anything left was split up in income tax allotment. We split those two, now option funding is funded for every student times the average spending per student, it was about \$9,300. And income tax allotment is figured by how many income taxes are paid in each school district times 2.23 percent. We split the two, so now instead of \$102 million, I think this year it's right at \$150 million combining the two. \$43 million for income tax allotment and \$105 million, which all these numbers are on that spreadsheet, for the net option...I mean option students. So where did we start? The overall cut from \$1.045 billion to \$999 million is 4.5 percent. Option money is not affected by equalization aid, it is what it is. It's \$9,300 times students. So how do you cut that in the formula? And we started with 4.5 percent because that's the overall cut. So every school district that has net option enrollment was...their option enrollment was cut by 4.5 percent in the model. This change would reduce net option funding from the TEEOSA published amount of 2017-18 from \$104.725 million to \$98.904 million, a difference of \$5.82 million. This reduction in net option funding would only be for the 2017-18 and 2018-19 school years. By way of a background, net option funding provides the funding necessary to enable any kindergarten through 12th grade Nebraska student to attend a school in Nebraska Public Schools district in which the student does not reside, subject to certain limitations. This program allows students and parents a degree of school choice among our public schools. There's also an extra amendment, which you will see, AM53, which was...Nebraska Department of Education brought it to us. There was an error during the common levy elimination, there was transition aid that was going to be given to--one or two years I believe--given to school districts that were hit with the changeover from common levy to everybody has their own levy and state aid back in the TEEOSA formula. There was errors in the dates, the calculation, and it really skewed the calculations to that school districts that really didn't need it was going to get it, and the ones that did weren't. It only involves three to four student...school districts. It involves Elkhorn, Millard, Ralston, and Bennington and, of course, Omaha--OPS. If you wish to see that document, I can show you what the change would do, get it to you. I don't know if you did get the handout. But I will have, if you have questions on it and why did the change need to be made, please ask that to the Department of Education testifiers here. How do you fix this thing? One would think the easiest way would be to go 4.5 percent down the list. Cut everybody 4.5 percent of their income tax allotment, their equalization aid, and their option enrollment. OPS would not like that, they would get hit by about \$14 million, versus the \$8 million or \$9 million in this formula. There is a group of schools, Mr. Habben mentioned it, there's about 20 to 25 schools that sit right on the cusp of losing equalization aid.

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No matter what model we ran, they get hit hard. But it's all in the numbers. That's what I said about percentages, they can mislead you. Because they get such little state aid right now, when you raise the local effort rate from up to \$1.02, that throws them back into equalization and they might only get \$100,000 or \$50,000. To small school districts, that's a lot, but when you lose \$25,000 of that, when you're only getting \$50,000 shows up as a 50 percent cut. So it's how you look at the numbers. But still, they do take a hit. We've looked, you know, this isn't a finished product. We've looked at capping. We're still looking at capping and I will tell you working with the Department of Education has been great. The fiscal office there, their fiscal department runs models quickly for us so we can analyze it. We've worked with them on this. Like I said, this is basically what we did in 2011-12, 2013-14, the twist to it is the option enrollment, which has grown since then and how do you make sure. On the income tax allotment, some would say we should cut that, too, but most of that money is a resource that comes in first to school districts. There's only a few districts, very small, that...I think it amounted to \$4.4 million is what Bryce Wilson told me total of that's all the state aid they get. And the function of the TEEOSA formula on that already has adjusted what they get. Because the reason we are in trouble is we don't have income taxes coming in. So those districts have already taken their cut because each district, especially in rural areas, the amount of income taxes paid are a lot less. If you went after that money and you went after 5 percent of it, you might get a half a million dollars out of those districts who have waited a lot of years to get a dollar of state aid until Senator Sullivan and this committee fixed it last year, that they at least get a little bit of income tax allotment. I just believe that we should leave it alone. It's a small amount of money and it's not worth chasing. But anyway, there are theories on how to do it more equitable. Like I said, 4.5 percent down the road. There's also theories out there to take an adjustment to needs. Both of them in the past have been said that they are unconstitutional. Nobody has challenged it. You know, around this building if you don't like something, you yell out its unconstitutional. And how do you argue against that? But that might be the easier way to do it. But in the past when they adjusted the needs, they also allowed districts to raise their maximum levy above the \$1.05 to make up for it. I don't know if anybody in this room wants to raise property taxes, but that's one way you could do it and that would hit the equalized districts. So anyway, let's have the debate. But that's where we're starting. I'm afraid if anybody is for it then we didn't do our job and upset everybody, that everybody is going to take a cut. So any questions I guess... [LB409]

SENATOR KOLOWSKI: Yes, Senator Morfeld. [LB409]

SENATOR MORFELD: Thank you, Senator Kolowski. Thank you, Senator Groene, for bringing this legislation. I apologize, I have to go teach in a few minutes, but I'll ask my question. But in any case, so have we had models ran for 2018 and 2019? I heard that from one of the school districts I represent that actually gets a little bit deeper in terms of cuts after we go into 2018, 2019. [LB409]

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SENATOR GROENE: We haven't done past this year because that's where...like I said earlier in the testimony, that can all change. [LB409]

SENATOR MORFELD: Okay. [LB409]

SENATOR GROENE: We might have to adjust it further down. [LB409]

SENATOR MORFELD: Based on...okay. [LB409]

SENATOR GROENE: The one effect that you cannot change is the 1.5 percent for one year, because that year has already happened. When we do it for 2018-19, and correct me if I get my years wrong, if we do it for 2018-19 the first year would already have happened and that will be 1.5. But we could go back to 2.5. But we have to come up with a number because we have to punch it in the second year of the biennium, because the Appropriations Committee will tell us don't throw a number at it and we'll try to match it. [LB409]

SENATOR MORFELD: I understand. [LB409]

SENATOR GROENE: But we'll have another shot at that in a year. [LB409]

SENATOR MORFELD: Okay. Thank you, Senator. [LB409]

SENATOR KOLOWSKI: Other questions from members? Senator, on the overall picture that we've had painted for us by a number of speakers, I think it was 2009 OpenSky had talked about our...we were just getting back to the funding level this year that we were at in 2009 after the recession that we had gone through. This makes it very difficult and I appreciate your number crunching here which you've shown us. The point that you made is that it's a starting place, there's things that we can still look at and examine along the way. Is that correct? [LB409]

SENATOR GROENE: If the Appropriations comes in with a lower number, we're going to have to change it. Also, we could look at where some of the school districts believe they're unfairly treated. Well, they all think that. But we could tweak it. But basically this is what we've done in the past, this body has done, is this type of adjustments trying to make sure everybody feels a little pain. And not, for example, the 1.5 percent, that's not going to affect OPS, that probably won't affect LPS because they have excess spending authority. But it's going to hurt the small schools, that's where they're going to take their hit. LPS, the equalized bigger district will take theirs in the \$1.02. Now Bryce Wilson might correct me, and I hope he does because I don't want any misrepresentation here, when he comes up. But you could ask, we worked with him,

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Mr...Matt's been very good sharing, working with us, having his staff work with us to look at every option and every avenue we possibly could have to be fair. [LB409]

SENATOR KOLOWSKI: Okay. Any other questions? Thank you. Thank you, Senator Groene. Proponents. We will now move to proponents, those who are backing this bill please come forward. Again, proponents? Any proponents for this? [LB409]

SENATOR GROENE: My mother isn't alive, otherwise she would have been here. [LB409]

SENATOR KOLOWSKI: And that was questionable. Opponents? Do we have opponents that would like to come forward, please? Thank you. [LB409]

LARRY SCHERER: (Exhibit 1) Good afternoon, Senator Kolowski, members of the Education Committee. My name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'd like nothing better than to be supporting a bill that Senator Groene introduced. He has the difficult task of finding a number that will work in the budget, and I appreciate that this bill is a reasonable method that has been used in the past. What the...and he explained it pretty well there, that the impact...and I, my testimony is based on the bill as well as LB474 (sic: AM474). We prefer LB474 (sic: AM474) as an approach. It's softer on the need side of the equation, but it's harder on the resources side, which means that the pressure on property taxes is a little harder with the amendment than it is with the bill. But in terms of protecting schools, school funding, at some level it's preferable. The base limitation rate is used in a couple different ways, but the primary one the senator mentioned was the cost growth estimate. And it's been around for a long time, the fact that you're using two-year-old data. So, you know, and it's also used, and importantly for 183 of the 244 school districts, it is the budget, the way you calculate budget growth. So if the bill would stay at 0 percent, that means there would be 0 percent growth, with the exception of unused budget authority, which can be up to 2 percent if they have any. And it's kind of hit or miss which ones have it and which ones don't. The 1.5 percent is preferable. As I said before, the resources side, increasing the local effort rate to \$1.0203, I believe will put a little more pressure on the property tax. And there will be some property tax increases as a result of this because that's the way we fund our schools. And even with the lid, that will happen. I've attached a couple of charts for you to consider, and I may have handed these out before. But the first one is a 10-year history of TEEOSA funding. And this compares what the formula would have put out in terms of money under the existing law, compared to what the Legislature actually appropriates. And what you see is, over time, there's been about \$772 million less appropriated than would have been appropriated if the law wasn't changed. In my mind, that's a reason we need Senator Kolowski's legislation, because this shouldn't happen all the time. It doesn't happen in most states all the time. They have mechanisms that adjust accordingly without having to do this sort of reduction. But that's the first chart. The second one takes a look at the share of funding over a longer period



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of time, I believe this is 25 years. And as Renee Fry was mentioning earlier, looking at '92-93, we were, you know, the state was at that point in time putting in 28 percent, 52 percent from property taxes. When you look back then at '15-16, which is the last year we had data for, it's the same place. So what that's saying is, you know, while there's some green on there--we've had good years. But overall, we've kicked the can down the road. And, you know, unfortunately, I see that happening again this year because of the budget situation, another reason why, you know, there might be the necessity to reduce aid. Hopefully, it will be more like the amendment, but also start looking to the future so we can do this in a better fashion. Thank you very much, I appreciate your hard work. I know it's not easy. [LB409]

SENATOR KOLOWSKI: Questions for Mr. Scherer, please? Yes. [LB409]

SENATOR LINEHAN: Thank you. Thank you, Mr. Scherer. Are these numbers on these sheet are these actual numbers? Are they adjusted for inflation or...? [LB409]

LARRY SCHERER: These are actual numbers. [LB409]

SENATOR LINEHAN: Okay. [LB409]

LARRY SCHERER: They're taken directly off the annual finance reports of school districts and the statewide number of how much was collected in property taxes and how much was collected in state aid. [LB409]

SENATOR LINEHAN: This is very helpful, thank you. So is the fourth line is what total spending on education all the way down? [LB409]

LARRY SCHERER: Yes, yes, yes. [LB409]

SENATOR LINEHAN: Okay. [LB409]

LARRY SCHERER: And as you...if you looked this over a 20-year period, it is around 4 percent, as has been the state budget, and they're very similar. That's not to say we couldn't be more efficient, but the costs of running a school don't seem to be declining very much, huh? Appreciate it. And if you have questions and would like to talk more about this individually, I would love to do that. [LB409]

SENATOR LINEHAN: Thank you very much. Thank you. [LB409]

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SENATOR KOLOWSKI: Other questions? Anyone? Mr. Scherer, again, the totals that I mentioned earlier, you know, were finally just getting back to about the 2009 level of funding. And from the building principal side and from the superintendent side, costs have gone up every year. The district and everything is more expensive: your books, your materials, teaching materials, contracts, and everything else. It's really been a detriment to districts. They've been much too quiet about it in my mind, and are you finding the same kind of reactions as you're going around the state? [LB409]

LARRY SCHERER: Sure. Yeah, yeah. You know, and we have local associations that have not only agreed to, they've suggested a 0 percent increase in salary over the coming years. And, you know, that's not something we advise them to do, as their advocates. But they're out there doing it because they know their school districts are in difficult, difficult situations. [LB409]

SENATOR KOLOWSKI: Thank you. Any other questions? Thank you very much. [LB409]

LARRY SCHERER: Yeah, thank you. [LB409]

SENATOR KOLOWSKI: Other opponents, please. Welcome. [LB409]

JEFF SCHNEIDER: Thank you. Members of the Education Committee, I appreciate your work. My name is Jeff Schneider, J-e-f-f S-c-h-n-e-i-d-e-r, I'm the director of finance for the Hastings Public Schools, and I'm also the chair of the Nebraska School Council...or excuse me, the Nebraska Council of School Administrators. I'm here representing both organizations to testify in opposition of LB409. We oppose the bill because passage would appear to, over time, drastically reduce revenue to a number of schools across the state, as well as allowing very little budget growth for any district. This bill would also make significant changes to the TEEOSA formula, which may not look too drastic this next year, but could be very dramatic in future years down the road. While we realize there are significant economic challenges and the state revenue challenges, this bill appears too drastic in terms of change in the actual formula. I truly hope this committee will consider a legislative vehicle that is less drastic and that supplies some release mechanisms for districts that don't have any other options. Some example of those have been in some legislation that Senator Kolowski has introduced. I would also hope that we continue to look for resources to help, and not just focus on cuts. My district spends less than the state average; has larger class sizes than surrounding schools; recently consolidated six elementary buildings into five; and we've been given very conservative wage and benefit increases to staff, just as was mentioned in the last testimony. Despite all this, we're being asked to take more of a hit. Recently, Governor Ricketts attended a press conference in Hastings and specifically mentioned the Hastings Public Schools and that our citizens should be proud of the fact that we've held our expenditures in check. Yet, it's still not enough. We're currently spending down

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our cash reserve to make up for shortfalls in the state funding. We generated this reserve by being very conservative on years when we were funded. We lost some funding recently because we're down about 50 students. We have about 3,700 students. But it's not 50 students where we have a large senior class and a small kindergarten class so we could reduce staff. We have about 60 percent poverty in our district and we have a very mobile population. This particular year we're up about 50 students, so next year we're set to get that funding back. We realize that we've got to be a partner in this shortfall and that's probably not going to happen. So we'll continue to spend down our cash reserve. But we can't do that much longer. If you must reduce TEEOSA, please consider the consequences for students, and please consider allowing local control by giving school boards some options other than a levy override to make local choices. Thanks for considering our point of view, and I'd be happy to answer any questions you may have. [LB409]

SENATOR KOLOWSKI: Senator Erdman, please. [LB409]

SENATOR ERDMAN: Thank you, Senator Kolowski. Thank you for coming. Are you referring to AM474 as the amendment or the original bill? [LB409]

JEFF SCHNEIDER: The amendment. [LB409]

SENATOR ERDMAN: The amendment? [LB409]

JEFF SCHNEIDER: Um-hum. Or LB409, you mean? [LB409]

SENATOR ERDMAN: Say that again. [LB409]

JEFF SCHNEIDER: You're talking about the amendment to LB409? Yes. [LB409]

SENATOR ERDMAN: That's going to be the bill. [LB409]

JEFF SCHNEIDER: Yes, yes. [LB409]

SENATOR KOLOWSKI: Other questions, please? Mr. Schneider, on your overall spending in the last couple of years, if your board had--and we've had some bills that are in the hopper right now--if your board had the ability of 1 cent, 2 cent, or 3 cent override, do you think they might have used that or looked at that as a tool that would help them through this difficult time? [LB409]

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JEFF SCHNEIDER: They would have looked at it. Whether they would have done it or not, I don't want to speak for them because, you know, we all live in a community. [LB409]

SENATOR KOLOWSKI: Sure. [LB409]

JEFF SCHNEIDER: We're not interested in taxing our neighbors. If we (inaudible)...I think if the board felt like it was something that was justified and that we had to have to provide a quality education, yes, I do believe they would have taken advantage of that. [LB409]

SENATOR KOLOWSKI: Or a penny for technology and security, safety? [LB409]

JEFF SCHNEIDER: Absolutely. [LB409]

SENATOR KOLOWSKI: Those are...that's moneys that really gets eaten fast. [LB409]

JEFF SCHNEIDER: Yes. [LB409]

SENATOR KOLOWSKI: Thank you. Any other questions? [LB409]

SENATOR ERDMAN: One last question. [LB409]

SENATOR KOLOWSKI: Sure. [LB409]

SENATOR ERDMAN: Thank you, Senator Kolowski. So you mentioned your cash reserve. How much cash reserve does your district have? [LB409]

JEFF SCHNEIDER: About \$7 million, which is about two months' operating expenses. [LB409]

SENATOR ERDMAN: \$7 million? What is your tax asking, do you know? [LB409]

JEFF SCHNEIDER: Our levy? \$1.342 [LB409]

SENATOR ERDMAN: No, what is your total tax dollars asking? [LB409]

JEFF SCHNEIDER: About \$11 million. [LB409]

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SENATOR ERDMAN: \$11 million. Thank you. [LB409]

SENATOR KOLOWSKI: And your levy is at what again, please? [LB409]

JEFF SCHNEIDER: We're at \$1.342. [LB409]

SENATOR KOLOWSKI: So some of your bond issues... [LB409]

JEFF SCHNEIDER: We're at \$1.05 plus bonds. Yes. [LB409]

SENATOR KOLOWSKI: Right, thank you. As many districts are when they're growing. Thank you. Any other questions? Thank you very much, sir. Additional opponents, please. Welcome. [LB409]

SANDY WOLFE: (Exhibit 2) Thank you. Good afternoon, Senator Kolowski and the rest of the committee. My name is Sandy Wolfe, S-a-n-d-y W-o-l-f-e. I am a member of the Norfolk Public Schools school board so, like all of you, I'm an elected official. And like all of you, I share a passion for Nebraska and public education and our students, our teachers, our administrators, and all of our shareholders in this. When I ran for school board in 2012...isn't this funny, my voice is just cracking. When I ran for school board in 2012, we had just closed three elementaries, and the coffee shop talk was really vicious. One of the main programs that was on the cutting block, or being downsized, was FFA. And we consider ourselves a little bit urban, but we're also very rural. And so this was a huge hot point and there was a lot of misconception. I'm a graduate of Norfolk Public, my husband, our three children, so I just figured it was time for me to jump in and do something and hopefully make a difference. We've worked really hard, we have a really strong board, and we have really turned things around and we're doing great. But as I look at LB409, it's really scary to think we could go back. Because it not only hurts our schools, but it really hurts our communities when we cut back like this. We have approximately 4,300 students at Norfolk Public Schools and in our elementary classes our class size has grown to almost 30 students to a teacher. And that's really high. I can happily say our teachers work really hard and our scores have consistently risen, but I don't know how long we can do this without continued resources. One of our schools, Washington Elementary, was just awarded the distinguished school award, and they are the only Title I school in Nebraska, the only one, that has consistently met the AYP every year. And they are at a 78 percent free and reduced lunch. According to our projections, we would receive approximately \$867,000 less in state aid if LB409 passes. The projections indicate we would receive a mere \$72,000 more next year, and this turns out to be \$1,690,238.07 less. We have a great business manager. I am not good at math, it's not my strongest subject, but I know that those numbers are going to affect kids, and that's what we're all here for, is the education of our kids in Nebraska. I believe a strong education in

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Nebraska is the cornerstone to Nebraska, that's why we love Nebraska, that's one of the reasons we're passionate about Nebraska. And for me, it's essential, and I know it's essential for each of you, too, because had it not been for Dodge High School or Fairbury or Bayard or Lewiston, Lincoln High, Lincoln Southeast, Arlington, and even LaSalle-Peru in Illinois, who knows where each of you would be. You had this great foundation of public education and you all are high school graduates from public education. I applaud you, I think that's wonderful. I can only imagine the immense task you have ahead. I just don't believe we can cut our way into that current tax problem. We hear the concerns of our ag partners, but we don't feel that the schools is the reason for it. We just need to figure out how we can fix that tax problem. So thank you all, uh-oh, for believing in Nebraska and for becoming senators and doing your part. Thank you. [LB409]

SENATOR KOLOWSKI: Thank you, Ms. Wolfe, appreciate that very much. Questions, please? [LB409]

SENATOR WALZ: I have a question. Thanks for coming. [LB409]

SANDY WOLFE: Sure. [LB409]

SENATOR WALZ: Can you tell me what your school budget is? I mean, I know what it will be reduced to, but... [LB409]

SANDY WOLFE: I will defer to a person better in math. [LB409]

JAMI JO THOMPSON: Our budget of expenditures is about \$43 million. [LB409]

SENATOR WALZ: Thank you. [LB409]

SENATOR KOLOWSKI: Senator Erdman. [LB409]

SENATOR ERDMAN: Thank you, Senator Kolowski. Thank you for coming. Do you know if you have a cash reserve and how much it might be? [LB409]

SANDY WOLFE: I do know we have a cash reserve. We were fiscally responsible and the amount is... [LB409]

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JAMI JO THOMPSON: It varies during the course of the year, but we try to keep about four months' expenditures on-hand. So about \$10 million to \$12 million. [LB409]

SENATOR KOLOWSKI: Would you repeat that, please? [LB409]

SANDY WOLFE: We try to keep a reserve on-hand of four months. And it runs \$10 million to \$12 million. [LB409]

SENATOR KOLOWSKI: Thank you. That picks up the recordings, even though we're getting some help from the audience. [LB409]

SANDY WOLFE: Thank you. [LB409]

SENATOR ERDMAN: And your annual tax asking is how much? Do you know what your tax asking is? [LB409]

SANDY WOLFE: \$1.05? \$1.05. [LB409]

SENATOR ERDMAN: No. How many dollars do you collect in taxes? [LB409]

SANDY WOLFE: Oh. How many dollars do we collect in taxes? [LB409]

JAMI JO THOMPSON: I don't know that off the top of my head. [LB409]

SANDY WOLFE: I'm sorry, I can't answer that. [LB409]

SENATOR ERDMAN: Thank you. [LB409]

SENATOR KOLOWSKI: Any other questions, please? Yes, Senator Linehan. [LB409]

SENATOR LINEHAN: I just...these numbers--and I understand this totally--these are based on LB409 that was introduced, not on the amendment? [LB409]

SANDY WOLFE: No, we did have our business manager change those numbers this morning to the amendment numbers. [LB409]

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SENATOR LINEHAN: To the amendment numbers? Okay. But you still receive more than you did last year? This is what your thing says. Projections indicate... [LB409]

JAMI JO THOMPSON: I will talk about that in my testimony. [LB409]

SANDY WOLFE: Our superintendent is here and she'll talk about when it comes. [LB409]

SENATOR LINEHAN: I'm sorry. Okay. [LB409]

SANDY WOLFE: I'm sorry, I don't know those numbers. [LB409]

SENATOR LINEHAN: That's all right. Thank you very much. [LB409]

SENATOR KOLOWSKI: Any other questions, please? Thank you for mentioning LaSalle-Peru Township High School. [LB409]

SANDY WOLFE: Yes. [LB409]

SENATOR KOLOWSKI: In these hallowed halls that has never happened before; thank you. Next, please. Opponents. [LB409]

JAMI JO THOMPSON: (Exhibit 3) You can probably guess I'm from Norfolk Public Schools. [LB409]

SENATOR KOLOWSKI: Yes, ma'am. [LB409]

JAMI JO THOMPSON: Good afternoon, Senator Kolowski and members of the Education Committee. My name is Jami Jo Thompson, J-a-m-i J-o T-h-o-m-p-s-o-n. I am the superintendent of Norfolk Public Schools, a Class A school in northeast Nebraska, that serves over 4,300 students and is a member of the Greater Nebraska Schools Association. We're proud to say that Norfolk Public Schools is one of the most efficient schools in the state, we rank 21st out of 246 school districts in terms of efficiency. Our cost per pupil is \$11,168 per student, compared to the state average of \$11,901 and some schools that are well over \$30,000. However, even with this extreme efficiency and our conservative approach, and even with a \$1.05 general levy, which is the maximum that is allowed by state, we cannot raise adequate funding through our local property taxes to meet our student needs. Our district is completely dependent upon state equalization aid in order to do that. Unfortunately, we lost \$1.76 million in state aid last



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year. Now some of that was due to an increase in property valuation, but not all of it. Our net revenue, with all sources combined, was actually \$611,712 less in 2016-17 than it was the previous year in 2015-16. And because we are at our maximum levy, we had no way to recoup that loss and we were forced to cut our budget by over \$600,000 last year. I appreciate the amendments that Senator Groene has offered to LB409, which distributes state aid reductions over a broader segment of schools. This did result in an improvement for Norfolk Public Schools from the previous version, when we were facing another significant loss under that original bill. As LB409 amendments are currently written, Norfolk Public Schools would receive \$866,888 less than state aid that current law allocates. However, projections indicate we would receive about \$72,000 more than we did this year. In the big scheme of things, however, that's still \$1.69 million less than we received in 2015-16 and it's less than we received in 2014-15 and it's less than we received in 2013-14. And I believe that LB409 would reduce our state aid even further in 2018-19. We simply cannot afford that. Budget cuts have caused some of our elementary class sizes to reach 28, 29, even 30 students. Raising that number seems absolutely unfathomable to me. How can one teacher be expected to meet the individual and unique needs of 30-plus students in a classroom? They can't. But we cannot afford to hire the additional staff that is needed to bring those class sizes down to a more acceptable level. For that reason, I'm testifying in opposition to LB409 and the amendments. I know I'm out of time, I have a lot left so. [LB409]

SENATOR KOLOWSKI: Give us a summary. Finish up, please. [LB409]

JAMI JO THOMPSON: I know that property valuations have placed a burden on our local property owners, and I also realize there's a desire by some senators to provide more funding to small, rural schools that do not get equalization aid. And I applaud you for trying to find a solution to that complex issue. We simply can't afford to continue to take money from our poorest equalized districts to give it to our more wealthy nonequalized districts who can raise the money through local property taxes. So thank you for looking at this issue. [LB409]

SENATOR KOLOWSKI: Thank you, Dr. Thompson. Questions from the...yes, Mr. Erdman. [LB409]

SENATOR ERDMAN: Thank you, Senator Kolowski. Thank you for coming. Let's talk a bit about your reserve. You have a four-month reserve, that's what your goal is, to maintain that? [LB409]

JAMI JO THOMPSON: Correct. [LB409]

SENATOR ERDMAN: Does that reserve fluctuate up and down? Do you use that for anything? [LB409]

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JAMI JO THOMPSON: Yes, we do. We use that at several times throughout the course of the year, when we do not have tax money coming in and we have to use that to make our payroll and pay our bills. [LB409]

SENATOR ERDMAN: How low might it get at one time? [LB409]

JAMI JO THOMPSON: I'm not sure what the lowest is, to be honest. But we are also looking at we will probably have to use that cash reserve in the near future if we continue to have reductions, similar to what Mr. Schneider talked about. [LB409]

SENATOR ERDMAN: So when you made those cuts when you were short of funds, did you use any of your reserve to do that, so you didn't have to make such severe cuts? [LB409]

JAMI JO THOMPSON: I believe that they did. I was not in the district at that time. But yes, I know that they were dipping into cash reserve while they were closing school districts and consolidating resources and everything. [LB409]

SENATOR ERDMAN: Okay. [LB409]

SENATOR KOLOWSKI: Other questions for Superintendent Thompson? Yes. [LB409]

SENATOR LINEHAN: Thank you. Thank you for being here. And I don't want to do...because I'm afraid this will seem like got you, and I'm not... [LB409]

JAMI JO THOMPSON: That's okay. Go ahead. [LB409]

SENATOR LINEHAN: Okay, so 30 kids in class, which is a lot of kids, I agree. [LB409]

JAMI JO THOMPSON: It is a lot of kids. [LB409]

SENATOR LINEHAN: \$11,000 a student. [LB409]

JAMI JO THOMPSON: Correct. [LB409]

SENATOR LINEHAN: That's \$330,000. So you don't pay your teachers \$330,000 or even \$100,000. [LB409]

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JAMI JO THOMPSON: Right. [LB409]

SENATOR LINEHAN: So where does the rest of the money go? [LB409]

JAMI JO THOMPSON: Well, there are a lot of things. I mean, there's teaching, there's administrators, there's all our paras, bus drivers, tons of staffing, energy costs can be over \$100,000 a month, insurance. [LB409]

SENATOR LINEHAN: So the teachers have paras? [LB409]

JAMI JO THOMPSON: Some teachers do, it just depends. [LB409]

SENATOR LINEHAN: If they have 30 kids, they would have a para? [LB409]

JAMI JO THOMPSON: Probably not the entire time. We have paras that kind of float between classrooms, depending on need and what's being taught at the time. [LB409]

SENATOR LINEHAN: It would be helpful to me if I could have a breakdown of like...I mean, it just...that's a number I can't, and I know fuel is expensive, but then we on the other side, when you talk about cutting expenses, what we hear...at least what I hear, and I speak for all of us, is that we can't cut expenses because of salaries, which is 70 percent. [LB409]

JAMI JO THOMPSON: Yep, that is typically correct. [LB409]

SENATOR LINEHAN: Well, if it's 70 percent it...see where I'm confused? [LB409]

JAMI JO THOMPSON: I'll send you information. I will do that. [LB409]

SENATOR LINEHAN: Okay. I would greatly appreciate that. Thank you much. [LB409]

SENATOR KOLOWSKI: Additional questions? Anyone? Superintendent Thompson, thank you very much. [LB409]

JAMI JO THOMPSON: Thank you. I'm writing this down so I don't forget. [LB409]

SENATOR KOLOWSKI: That's okay. Take it down. Thank you. [LB409]

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JAMI JO THOMPSON: Thank you. [LB409]

SENATOR KOLOWSKI: Thanks for coming here. Additional opponents, please. Good afternoon. [LB409]

CONNIE DUNCAN: (Exhibit 4) Good afternoon. How are you? Can I begin? [LB409]

SENATOR KOLOWSKI: Yes, please. [LB409]

CONNIE DUNCAN: Good. Senator Kolowski and members of the Education Committee, my name is Connie Duncan, spelled C-o-n-n-i-e D-u-n-c-a-n. I'm here today representing Lincoln Public Schools, where I serve on the board of education. LB409, as amended, reduces the amount required to fund state aid. In Lincoln Public Schools, LB409 with the amendment filed will reduce state aid to LPS by \$7.6 million or 5.7 percent from full funding for 2017-18. The second year of the biennium is even more dramatic. LPS enrollment increases by 850 to 1,000 students per year. We have experienced a 24 percent increase in students in the last decade. Significant reductions in state aid will limit our ability to keep pace with growth. The reductions are likely to result in increases in our class sizes, lessening the ability of teachers to provide immediate, individualized support to students. Schools will be required to make tough choices about staffing. For example, would we choose between an academic interventionist or a school counselor? Under LB409 with the amendment, 78 school districts remain full funding under current law and do not experience cuts at all. We, of course, would advocate for full funding for K-12 education, but at the very least request that the required reductions be shared across the state. As the Legislature looks to reduce funding to K-12 education in an effort to balance the state's budget, every school district must be included in the solution. We understand that LPS will be part of the solution as well. As a school board member, I understand we will be part of the solution. I ask you to keep three concepts at the forefront of your conversations: one, consider options that fund state aid the highest possible levels; two, ensure equalization is a priority, support the schools that rely on you the most; and third, ensure every school district is part of the solution. I greatly appreciate your time today and I will answer as many questions as I can. But I will have Dr. Standish speak if there are number questions that you may have. [LB409]

SENATOR KOLOWSKI: Thank you, Ms. Duncan. Questions, please? Anyone? Seeing none, thank you very much. [LB409]

SENATOR EBKE: I have a question. [LB409]

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SENATOR KOLOWSKI: Yes, I'm sorry. Senator Ebke. [LB409]

SENATOR EBKE: Your second point here, where it says "support the schools that rely on you the most," so that would be Lincoln and Omaha and the equalized districts, right? [LB409]

CONNIE DUNCAN: Correct. [LB409]

SENATOR EBKE: So what about the folks out in the rural areas who get no state aid because of their valuation, and yet you have a farm economy that's in the tanks? How do you make the...how do you justify saying that Lincoln, which is relatively affluent, or Omaha, which in some areas is relatively affluent, or any of the other...how do you make the case that, well, it's okay for Thayer Central in my district to be footing the whole bill and it's not okay for LPS to take some cuts? [LB409]

CONNIE DUNCAN: And, you know, I'll probably have Dr. Standish answer that. [LB409]

SENATOR EBKE: Okay. [LB409]

CONNIE DUNCAN: And I went to Malcolm Schools, so I understand what it's like to go to small schools. But I will have someone else answer that that's a little more seasoned in that. [LB409]

SENATOR EBKE: Okay, thank you. [LB409]

SENATOR KOLOWSKI: Any other questions? Thank you, Ms. Duncan. (Inaudible). Additional opposition? [LB409]

LIZ STANDISH: Good afternoon, my name is Liz Standish, spelled S-t-a-n-d-i-s-h. I did not prepare formal testimony for you, that message was brought by our board member. And I think the direct answer to your question, Senator, is equalization is the format and structure that we have, so the formula looks to local resources first. So when I think about it, I think about what funding is behind each child. So each child in the state of Nebraska, if you look at local resources first at \$1.05, you would have school districts where that levy could raise \$59,000 per student and you have school districts where that could raise \$2,000 per student. In Lincoln, that would raise \$5,000 per student. So if the state did not come in to a school district that could only raise \$5,000 per student to pull us even up to the state average, which we spend below the state average, we would have nowhere to go. So I think it's the concept of if you have room in your levy, you have some local choices you can make. I know they're tough, and we understand the

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outcry for property tax relief. But if you're already at your limit, you don't have any local choices to make. You've already made all the choices you can, so you're carrying the burden of the state cuts. So we're not asking for a disproportionate look at having every school district be part of the solution, we know Lincoln is going to be part of the solution. I think equalized school districts know that we're going to be part of the solution. We just think it should be a statewide conversation about finding the solution. [LB409]

SENATOR EBKE: Okay, thank you. [LB409]

SENATOR KOLOWSKI: Additional questions, please? Yes. [LB409]

SENATOR LINEHAN: Thank you. Thank you for being here, Ms. Standish. What is, you said you're below the state average, what's your cost per student? [LB409]

LIZ STANDISH: \$10,576. [LB409]

SENATOR LINEHAN: And what is your all-in levy? [LB409]

LIZ STANDISH: \$1.24. [LB409]

SENATOR LINEHAN: So have you ever tried a levy override? [LB409]

LIZ STANDISH: There's a history in Lincoln many, many years ago that where a levy override was attempted twice. Neither one did pass. And we're talking 15-plus years ago, I believe. [LB409]

SENATOR LINEHAN: But you haven't tried in the last 15 years. But 15 years ago it did not pass? [LB409]

LIZ STANDISH: Correct. [LB409]

SENATOR LINEHAN: How about bond issues? Do you have problems passing bond issues? [LB409]

LIZ STANDISH: We recently had a successful bond issue and our community sees the growth. And we're very thankful the community understands that we're opening new facilities to house additional students. So we have passed successful bond issues. [LB409]

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SENATOR LINEHAN: But just not levy overrides. [LB409]

LIZ STANDISH: Correct. [LB409]

SENATOR LINEHAN: Okay. Thank you very much. [LB409]

SENATOR KOLOWSKI: Additional questions? Senator Erdman, please. [LB409]

SENATOR ERDMAN: Thank you, Senator Kolowski. Thank you for coming. So does your district have a cash reserve? [LB409]

LIZ STANDISH: We do, it's \$61 million. [LB409]

SENATOR ERDMAN: \$61 million. And what is your tax asking in a year? [LB409]

LIZ STANDISH: It's about \$240 million. [LB409]

SENATOR ERDMAN: \$240 million. And do you draw that down over time? [LB409]

LIZ STANDISH: Correct. Our monthly expenses are between \$30 million and \$35 million, so we're probably short of having two months of a cash reserve. For example, in February or March we could be sitting on a \$16 million to \$20 million cash reserve and we could have a negative \$14 million in federal funds owed to us. So we do use our cash reserve. We're not at the place where we need to borrow money. We have not made the decision that investing in interest payments is a good thing to do for taxpayers, but we do run a cash reserve model that does draw down over the course of the year. [LB409]

SENATOR KOLOWSKI: Other questions? Ms. Standish, thank you very much. [LB409]

LIZ STANDISH: Thank you for your time today. [LB409]

SENATOR KOLOWSKI: Additional opposition, please? Welcome, Dr. Habben. Thank you. [LB409]

JON HABBEN: Thank you, Senator Kolowski and members of the committee. Senator Groene. This has been an interesting bill. [LB409]

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SENATOR KOLOWSKI: Spell your name, please. [LB409]

JON HABBEN: Oh, I'm sorry. Jon, J-o-n, Habben, H-a-b-b-e-n. [LB409]

SENATOR KOLOWSKI: Thank you. [LB409]

JON HABBEN: It's been an interesting bill. When it was first introduced, we looked at it and simply said to ourselves, well, thanks but no thanks. And the development continued. And I do appreciate the fact that Senator Groene, in working with Bryce at the Department, that the development did continue--work in progress, so to speak. We're testifying in opposition maybe for some reasons differently than maybe what you've heard. There's a couple of issues that permeate the rural discussion. One has to do very simply with when we talk about a proportional reduction across all school districts, just exactly what does that mean? When we talk about the equalization formula, just exactly what does that mean? When we talk about the impact of ratcheting back the base allowable spending, how long does that go on? Because your spending is continually referring back historically to the years in the past. And so you're looking at several of these things that are indicators of there's a solution out there to meeting the requirements that the Appropriations Committee is faced with, with TEEOSA. I look at this very simply as it's one of the possibilities, but I don't think it's the possibility. I think we've got to figure out how to, if we're going to actually talk about something that's fair across all school districts, I think we got to figure out what that means and what that says. You know, you can...the smaller the district, the less wiggle room you have, to use a technical term. That's just life. And so you have fewer options, fewer possibilities, you hold less in reserves. Your taxpayers are, generally, ag land, so you've got that different set of circumstances that you have to figure out how to deal with. I don't think this particular bill, at least what I'm hearing from the superintendents who have contacted me, they look at this bill as this isn't the solution. This isn't the best way to go about it, by deciding to create a spending reduction. Or this isn't the best way to go about it by creating a change in the LER. And that said, it's that general opposition. I appreciate Senator Groene's effort, because I think there are elements here that might make some sense combined with maybe some other things. For example, is there a way to hold anything harmless on those districts that seem to really take a pay stay? Is there a way to trigger some type of different action once the loss becomes too significant? Do we have any way of working with that kind of an approach? Because I have to admit, when we talk about the fairness of a reduction across largest to smallest, I don't see that, maybe, in the same way that others have testified. So thank you. [LB409]

SENATOR KOLOWSKI: (Exhibits 5, 6, 7, 8) Thank you, sir. Questions, please? Anyone? Seeing none, thank you, Dr. Habben. Additional opponents, please. Any additional opponents? Any neutrals, please. While you're getting seated, we also had an opposition language from a



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couple of different locations. Brian Isernhagen, school board president, Deshler Public Schools; Al Meier, Deshler Public Schools superintendent; STANCE; Dr. Mark Adler, Ralston Public Schools superintendent; Troy Loeffelholz, Columbus Public Schools superintendent. Thank you. [LB409]

BRYCE WILSON: I'm Bryce Wilson, B-r-y-c-e W-i-l-s-o-n, I'm the director of finance for the Department of Education, just basically coming up here this afternoon to clarify a couple of things. And if there's any questions I can answer, I'd be glad to do that. Senator Groene said if I need to correct anything; he made the comment that the basic allowable growth rate only affects the spending authority, it doesn't affect the equalized districts. I just wanted to clarify that when we do reduce the basic allowable growth rate down to 1.5 percent, that does affect formula needs. And then I guess in response to that, the equalization aid that goes to those equalized districts. So it does affect both the nonequalized, if they're in a spending authority situation, and the equalized as far as TEEOSA aid. And then the AM that deals with transition aid, I just wanted to clarify on that a little bit exactly what we needed that for. Basically what's going on with transition aid, it looks at what the learning community was prior to the dissolution of the common levy. So what's the current situation now and then what it is after we break up the learning community common levy. And the districts who had a loss between those two when we compare them, basically it gave 50 percent of that loss in aid the first year, 25 percent the second year. Well, in writing the language up, we were looking at the needs of each district and the resource, and measuring resources it looks at 2016-17, which doesn't include the community achievement plan aid, which was part of the agreement. When they dissolved the learning community it was not an accurate, I guess, without including that when we did all the modeling and the work ahead of time that was all included somewhere in the language. It got left out and so it skewed how everything was working and did not accurately represent the resources of the districts in the learning community after the dissolution without adding that. So that's what we were requesting. [LB409]

SENATOR KOLOWSKI: It dissolved the common levy in the learning community, not the entire learning community. [LB409]

BRYCE WILSON: Correct. Sorry. Good clarification, yes. The common levy. So with that, any questions? [LB409]

SENATOR KOLOWSKI: Questions, please? Senator Linehan. [LB409]

SENATOR LINEHAN: Thank you, Senator Kolowski. Okay, so all three of my schools in my district were in part of the common levy, so I don't understand what you just said. And what was

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said earlier, somehow there was a mistake made and now they've got to redo what they thought they were going to get? [LB409]

BRYCE WILSON: All that we're doing is when we measure resources for the districts in the learning community as separate. So after the common levy is dissolved, so next year, we're adding a community achievement plan aid, which was left out of the statutory language. It's a resource that's going to some of the districts in the learning community, but so it is a resource to those districts and it was not included. [LB409]

SENATOR LINEHAN: How can you include it if it was left out of the statutory language? [LB409]

BRYCE WILSON: For the calculation of transition aid only. It's in the language, I mean, we do the calculation, they get their community achievement plan aid. [LB409]

SENATOR LINEHAN: Okay, this is... [LB409]

BRYCE WILSON: It's just when we figuring what the transition aid amount is. [LB409]

SENATOR LINEHAN: I just...if sometime...I'll talk to you afterward. Thank you very much. [LB409]

BRYCE WILSON: Yeah. [LB409]

SENATOR KOLOWSKI: (Exhibit 9) Other questions, please? Seeing none, thank you. Additional neutral statements? Any last neutrals? Thank you. I have one neutral that was called in...or written in. Nathan Leach from Lincoln is also added to our list. Senator Groene to close. [LB409]

SENATOR GROENE: Thank you, Vice Chair Kolowski. I was pretty good in math in grade school, my little Catholic country school. Let me tell you a story about how my test scores, when I got out of seventh grade, varied from when I got out of high school. But I won't do that. I don't think I learned a lot between seventh and high school, but that was Dodge. Anyway, variables change. Property taxes, when you looked at these, I lost \$1 million, I lost \$800,000. From the previous year, some of that loss was because their LER went up, their property valuations went up, so in the formula more property taxes covered their formula. Not all of their deduction comes from...for the amendment--for AM474. As to the 84 school districts that aren't paying their fair share of the cost, it adds up to \$4.4 million. It's the first time most of those school districts have

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ever seen state aid for the last 5, 6, 10 years, because of the income tax allotment. If we wanted to be vengeful and take something from them and you took 5 percent, it would \$250,000 to make them pay their fair share. I added it up. And we hear the big numbers, but let's be realistic. If 245 districts...just while I was sitting there, I added up 14 of them. I think I got the top 14. Of \$999 million of 14 districts, \$688 million go to those 14 districts, 69 percent goes to 14 districts. So who has to take the hit? If they get 69 percent, those 14 districts, they should take around 69 percent of the hit. Where else are you going to go? We're talking about state aid, we have to reduce state aid, because that's what concerns us. Also, LPS has done pretty well. There's a couple of districts because of their growth, because they're not boxed in by geographical areas, and because of their growth the formula works for them. That's Kearney and LPS. Both of those school districts just recently did not lower their levies. Instead, they took the excess and stuck it and padded their reserves. Not criticizing them, but they've done well. There's winners and losers in the TEEOSA formula. We all know it. Senator Kolowski wants to study it. There are some that sit on top of the pyramid scheme and some that sit on the bottom. LPS and Kearney have done quite well. Not criticizing them, but the variables work for them. Prosperous communities, prosperous jobs, a lot of government jobs, good-paying jobs, good homes, property tax works for them. But they actually don't take that bad a hit really, considering how many dollars they do receive. I'm trying to understand...he's a good man, I've visited with him, they're all good people...from Hastings, a business manager. But he said we're only doing this for two years. This isn't long-range change to TEEOSA. This is a tweak to it to try to match dollars available for the next two years. So it would revert back according to the way the AM474, the amendment of LB409, is written, that it would revert back to the 2.5 percent after two years and back to \$1.00 on the LER. It's just an adjustment for two years. So anyway, Perkins County, a little school district out west, gets \$19,000 of state aid. That's income tax allotment, that's some of their income taxes that they are going to get back, that those folks out there pay. That is figured directly on how much income taxes are collected in that district. When you do your state income taxes, you put your school district number on it. It is figured. They don't get any of your sales tax back. As for levies, I will repeat what I've said, and I've said it to many people: we do not pay our taxes and levies. When somebody shows me what a levy looks like and what I can purchase for it--with it, I will consider my taxes and levies. Those people in Perkins County have a very low levy, 50 cents or so. Ten years ago, their land was \$1,000 an acre, at \$1.05 they paid \$10.50 an acre. Their land has gone to \$5,000 because of market forces. If they pay 50 cents of levy now, that's \$25 an acre. You tell me one individual, including myself, in a residential area how my property taxes on my home went from \$10 and took a 120 percent increase. We have to look at the whole picture. We cannot cherry-pick variables and say this person came out better. We've looked very hard at how we look at the final numbers. Everybody has to sacrifice, everybody is getting more money. Another issue, my own district, North Platte, was going to lose \$1 million prior to this because they lost 100 students option. They were going to lose \$1 million, but if you look at their numbers you'll say they took \$1.5 million hit. And I'm saying, wait a second, that's misleading. Numbers mislead. So when you analyze it, if you have any questions please contact

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our office and we can explain individual school districts why numbers, because we've got spreadsheets stacked six inches deep, different types of them and studies. So we have a comparable to 2016-17 and to 2017-18 and then how the amendment affects it. We got to fix it. This committee has to match with the Appropriations Committee. The good news is they can't blame us for lowering it, which they can when we vote on the floor. But our job with LB409 is to come up with the best, fairest method we can find to make sure everybody becomes a good citizen in every community and helps with this budget crisis we have. So thank you. And if there's any questions...I shouldn't ask that, the Chair is supposed to. [LB409]

SENATOR KOLOWSKI: Any questions at all for Senator Groene? That concludes our hearings for today. Thank you very much, sir. [LB409]