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Transcriber's Office

Education Committee
March 21, 2017

[LB540]

The Committee on Education met at 1:30 p.m. on Tuesday, March 21, 2017, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB540. 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: Hello, I'm doing the introducing as the committee members would show up. Welcome to the Education Committee for our last hearing of the year. Absolutely our last hearing of the year, public hearing. My name is Mike Groene for Legislative District 42. I serve as Chair of this committee. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process, the second house of our state government. 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 your 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. If you will be testifying, please complete the green form, or whatever colored form they have back there, then hand it to the committee clerk when you come up to testify. If you have written material 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 five minutes. We will be using the light system: green, four minutes; yellow, one minute; and please quit when you see the red. 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 our transcribers are able to hear you, your testimony clearly. The committee members with us today will introduce themselves, beginning at my far right. [LB540]

SENATOR LINEHAN: Good afternoon. Lou Ann Linehan, District 39, western Douglas County.

SENATOR PANSING BROOKS: Patty Pansing Brooks, Legislative District 28, right where we're sitting.

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

SENATOR EBKE: Laura Ebke, District 32, four counties southwest of here.

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SENATOR ERDMAN: Steve Erdman, District 47, 10 counties in the Panhandle.

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

SENATOR GROENE: I would like to introduce our legal counsel, LaMont Rainey, is to my immediate left. To my right, at the end of the table, is committee clerk, Kristina McGovern. She's the one you hand your green sheet to. Pages are Trenton Buhr and Sam Baird, both are University of Nebraska students. Senators may come and go because of other commitments. Otherwise, let's get started. Senator Stinner, LB540. I got to correct myself, there is another hearing coming up. We have some confirmations of appointments later in May probably.

SENATOR STINNER: Thank you, Chairman Groene, members of the Education Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r. I'm in District 48, all of Scotts Bluff County. First of all, I want to thank you for allowing me to be here today. I don't want to take up too much of your time, but maybe tell you a little bit of history, and maybe some of the strategy that Senator Groene and I talked about early in the session. I think we all knew that the budget was going to take some time, some effort, certainly there was a good chance. And we didn't see the recommendation of the Governor until about the 15th of January, actually, I think he came out on the 12th of January actually with it. So we had no idea what that document was going to look like. We knew we were going to have a budget A and a budget B and a lot of movement in between. So in talking to Senator Groene, he had an idea about how he wanted to handle the formula, what things he wanted to possibly get accomplished during the session. I talked to him at that time, I says, Mike...Senator Groene, I'm going to need to have a number come out of your committee at some point in time. TEEOSA is the biggest number in our budget, it's probably one of the last numbers that we get to put into the budget to really kind of figure out how the rest of the budget is going to flow. So anyhow, I put together LB540 with some help from legislative staff just as an emergency. And I requested that I would be the last person for a hearing. And it was really kind of one of those situations if we couldn't agree to something, this might be an avenue forward. And as we kind of went through the session and as we saw the budget unfold, certainly the Governor's budget, certainly we've been through a preliminary stage. I think you've seen the budget from the preliminary side. We were as a placeholder put in 2.1, which was a little bit lower than the Governor's, but certainly a high priority for us. But we were also trying to balance out priorities. For an example, on the LB605 side, and the justice reinvestment, we needed some funding over and above what the Governor had put in there. Provider rates ended up being a big issue with our committee, and so that's become a priority. And certainly higher education. Trying to balance all of that out really kind of meant that TEEOSA was going to have to be modified, and I think that's what we've been working on. I don't know if it was a week ago or two weeks ago I sat down with Senator Groene and kind of looked at...I had a computer run on mine and looked at what Senator Groene had put together on his LB409. And we were within tolerance, sometimes thousands of dollars,

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sometimes hundreds of dollars away from each other. At that point in time, you know, I was fairly convinced that LB409 was the way to go. And right now, as I look at things, we need to have a sense of urgency about getting TEEOSA to the floor, getting it heard, getting it through the budgetary...or the legislative process so we can do something with the budget. So in any event, I think that LB540 really conflicts with what this committee is trying to get done. I would like them to try to focus on LB409 as the primary legislation to get TEEOSA to the floor. And I would request that the committee IPP LB540 so that you have complete focus. As you may recall, the 59th...or the 70th day we need to be on the floor with a budget. We actually will try to conclude that budget on the Friday before that, so we don't have a whole lot of time to get things done. And I guess my message to this committee is really kind of stay focused, try to get things resolved as best they can, try to get to the floor as quick as possible so we can get through the legislative process and include it in our budget. In any event, that's my message. I don't know if there's any questions. [LB540]

SENATOR GROENE: Any questions? Are you cutting all state agencies? [LB540]

SENATOR STINNER: Are we cutting all state agencies? [LB540]

SENATOR GROENE: Their budgets. [LB540]

SENATOR STINNER: I can't think that we haven't touched just about everybody. But is there an exception? Maybe really small agencies that... [LB540]

SENATOR GROENE: So those cuts will affect all of...most everybody's budgets has been cut if they're involved in government state funding? [LB540]

SENATOR STINNER: I believe that we have touched them in different ways. And some of them are reappropriations, some of them are lapses, some of them are base cuts. As you remember, there was, what, 42 agencies that actually had modifications in the interim in this biennium. Next biennium we're looking strategically at each agency cutting some of the bases, lapsing some funds. Yeah, that seems like to me I would be hard-pressed to come up with an exception. Let's put it that way. [LB540]

SENATOR GROENE: Has anybody but public education actually had an increase of \$21 million? [LB540]

SENATOR STINNER: Not of \$21 million. [LB540]

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SENATOR GROENE: Who else has gotten an increase? [LB540]

SENATOR STINNER: Providers we actually raised by 1 percent so far in the preliminary budget. We've yet to finalize those. [LB540]

SENATOR GROENE: So we're at 2.1 percent increased spending on public education? [LB540]

SENATOR STINNER: That's the highest one we have. [LB540]

SENATOR GROENE: That's the highest one. So you're not really cutting funding to the public education. [LB540]

SENATOR STINNER: No. No, we're...I believe that you're going to add 2.1 percent. [LB540]

SENATOR GROENE: You are. [LB540]

SENATOR STINNER: Which, you know, should be adequate to take care of like raises and health insurance I would believe. [LB540]

SENATOR GROENE: So as far as public schools, we've treated them fairly well versus the rest of the individuals who work in other parts of government. [LB540]

SENATOR STINNER: Well, let's put it this way. With the other types of priorities we have, that was the number that fit the best. And we're still trying to absorb the \$150 million that just came out from the last Forecasting Board. So it becomes more difficult to hold 2.1. [LB540]

SENATOR GROENE: So if we don't...the one reason we haven't come out with LB409 yet is because we waited to hear your LB540, with just only...not to have an exec on LB409. We're going to do it after this meeting, after this hearing. But if we don't come out with some type of good government issue and do our fair share in education to take our fair share of the cuts, what happens with the budget? [LB540]

SENATOR STINNER: Well, I believe that it goes to the Governor's number, doesn't it? Or does it? Don't know the answer to that. We might be here in July or August, special session or something. I'm not sure. [LB540]

SENATOR GROENE: What date did you say you would come out with the budget? [LB540]

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SENATOR STINNER: We actually have to by law come out on the...I believe it's the 70th day. [LB540]

SENATOR GROENE: The 70th day? [LB540]

SENATOR STINNER: Um-hum. [LB540]

SENATOR GROENE: Any other questions for Senator Stinner? Thank you. [LB540]

SENATOR STINNER: Thank you. [LB540]

SENATOR GROENE: Thank you for working with the Education Committee. [LB540]

SENATOR STINNER: Yes. [LB540]

SENATOR GROENE: Any proponents? [LB540]

LISA ALBERS: (Exhibit 1) Chairperson Groene and members of the Education Committee, good afternoon. My name is Lisa Albers, L-i-s-a A-l-b-e-r-s, an elected school board of education member with Grand Island Public Schools, here representing the Greater Nebraska Schools Association in support of LB540. Realizing that LB540 is not likely the vehicle which will be utilized to reduce TEEOSA funding to meet the appropriation, I think it is important to highlight some of the attributes of the bill that are relevant and should be considered. First and foremost, LB540 keeps the basic tenets of TEEOSA in place: needs minus resources equals state aid. The needs are represented by the students and the costs associated with educating them. The resources are represented by the ability of each school district to generate revenue locally, mainly in the form of property taxes. LB540 addresses the shortfall in the state's budget by reducing calculated needs by a percentage, and at the same time impacting resources by reducing the amount distributed to school districts for net option funding and income tax rebate. The reduction of the needs impacts all equalized school districts, and the reduction to net option funding impacts school districts which qualify for this funding. Lessening the income tax rebate impacts all school districts across the state. A similar methodology was used as recently as 2008 and keeps the current formula in place. There are three other bills that the Legislature is currently considering designed to address the shortfall in funding, while at the same time provide some property tax relief. LB540 provides for a reduction to the property taxpayers by reducing the maximum levy for school districts operating funds from \$1.05 per \$100 of assessed value to \$1. This is not unprecedented. LB1114 in 1996 reduced school district operating fund levies to this level. In the years following, the state could not afford the required increases in TEEOSA

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funding that resulted and subsequently raised the maximum levy to the current \$1.05 level. LB540 also provides relief to taxpayers in school districts that rely on more than 60 percent of their funding from property taxes. The Property Tax Credit Fund is used to offset a portion of these funds and reduce school districts to a ceiling of 60 percent. The current estimate for the impact on TEEOSA funding related to LB540 is an approximate \$160 million increase. LB409, as you are aware, is a bill currently being considered for making reductions to TEEOSA. The bill impacts equalized school districts by reducing the base limitation by 1 percent for each of the next two years and changes in the local effort rate. This reduction limits school districts' budget growth in further slowing TEEOSA growth in the future. Funding to school districts which receive net option funding is reduced as part of this bill. This mechanism, as outlined in the amended bill, is more palatable than the original bill, but still leaves 82 school districts without a financial impact due to these proposed changes. LB326, offered by Senator Kolowski, presents an opportunity for local board of educations to consider replacing a portion of the property tax funding lost with a supermajority vote. This practice is also not unprecedented. When the state utilized temporary aid adjustment in 2002, local school boards, through a supermajority vote, could replace a portion of their lost revenue due to the adjustment. A supermajority vote was also utilized for many years in determining budget authority beyond the basic allowable growth rate. LB326 honors local control and the responsibility local boards of education have to their constituents. The responsibility of the Legislature to provide a balanced budget, while at the same time provide for the funding of K-12 education, in these current financial circumstances presents a real challenge. We encourage you to consider all school districts as part of the solution to the funding shortfall. We also encourage you to keep local control at the forefront of your discussions as you consider the appropriate course of action to balance the state's budget while maintaining funding for K-12 education. With that, I conclude my comments. Thank you for your time. Are there any questions? [LB540]

SENATOR GROENE: Questions? Senator Kolowski. [LB540]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Thank you for coming today and presenting. [LB540]

LISA ALBERS: You're very welcome. [LB540]

SENATOR KOLOWSKI: You're Grand Island Schools? And how long have you been on the board there, ma'am? [LB540]

LISA ALBERS: I was sworn in in January. Yes, I'm a newbie. Yeah. [LB540]

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SENATOR KOLOWSKI: Congratulations and good luck with all that. That's...I just wanted to make sure what your background was as far as Grand Island. Thank you. [LB540]

LISA ALBERS: You're very welcome. [LB540]

SENATOR GROENE: Do you understand how the allocated income tax is calculated? [LB540]

LISA ALBERS: I have tried and I'm spending a lot of time learning that. [LB540]

SENATOR GROENE: When you fill out your state income taxes, you put your school district code on there. They keep track of all income taxes collected at each school district. We are \$900 million in the hole because we have not collected enough income taxes this year. We multiply what each school district collects...was paid in their school district in income taxes times 2.23 percent, all right? It already self-adjusted because we've collected less income taxes in each school district. Each school district has already taken a hit on their income tax allotment because of the multiplication. [LB540]

LISA ALBERS: I would like to defer to another expert witness here. [LB540]

SENATOR GROENE: Well, he can't do that until he's up here. [LB540]

LISA ALBERS: Okay. [LB540]

SENATOR GROENE: I'll wait and ask him that. [LB540]

LISA ALBERS: Please do. [LB540]

SENATOR GROENE: Also, it's called...it's a resource. So if we take some off of everybody's resources, the equalized districts' fills back in with equalized aid so they don't lose anything on their income tax allotment because it's considered a resource like property taxes. Those 84 districts you referred to, it's \$4.4 million. If we took the 5 percent average reduction off of those 84 districts, that's \$220,000 that we would be deducting to give to 14 districts that get over \$700 million of the \$1 billion of aid. So the little bit of money we're talking about on them 84 districts is minute and they've already taken a cut because their income that's collected is a lot less than it was a year ago. That's why we did not take anything from them. [LB540]

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LISA ALBERS: What I can tell you about Grand Island Public Schools, my husband and I both graduated from that high school, born and raised in Grand Island, left, got some education, came back. We are taxpayers, we've been there 19 years, no plans of leaving, raised our family there. Our town is poor, our school is poor, our kids that go to the school are poor. They are needing every last dollar we can give them. We are talking about kids that don't have enough to eat, they don't have clothes to wear, they don't have transportation, they're working jobs because their families can't afford to buy food. My son played soccer with a kid who would go work at the meat packing plant after he got out of school at 12 o'clock. On his dinner break, he would come and play soccer for an hour. He had to work because his dad had to have oxygen because he had a terminal illness. Those are the kind of kids that come over to my house, who had dinner at my table. We're poor. We need as much help as you can give us because it's not coming from them. And there's nobody else to talk about them. There's nobody else to stand up for them. And so that's why I'm here, that's why I'm on the board. That's why I'm on the school board. I have never felt so right about something in my life, other than my marriage, to be on that school board. And that's what I'm going to tell you about a population of our school. Come out and visit, walk the halls, spend a day with these kids. They need help. Every last dollar. [LB540]

SENATOR GROENE: Any questions for the...Senator Linehan. [LB540]

SENATOR LINEHAN: Thank you, Chairman Groene. So under...do you know how Grand Island is affected under LB409, Senator Groene's bill, LB409, what would happen to Grand Island's financing? [LB540]

LISA ALBERS: I know Virgil can answer that question specifically. [LB540]

SENATOR LINEHAN: Okay, so. [LB540]

LISA ALBERS: Yeah. [LB540]

SENATOR LINEHAN: All right, we'll ask from Virgil. Thank you very much. [LB540]

LISA ALBERS: Thank you. Anything else? Thank you. [LB540]

SENATOR GROENE: Next. [LB540]

VIRGIL HARDEN: Good afternoon, Senator Groene, members of the Education Committee. For the record, my name is Virgil Harden, V-i-r-g-i-l H-a-r-d-e-n. I'm the chief financial officer

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for Grand Island Public Schools. I've prepared no comments. I'm simply here in case you happen to have a question. [LB540]

SENATOR GROENE: What is your code, your number? [LB540]

VIRGIL HARDEN: For the school? [LB540]

SENATOR GROENE: Yeah. [LB540]

VIRGIL HARDEN: 40-0002. [LB540]

SENATOR GROENE: Thank you. I overlooked it. [LB540]

VIRGIL HARDEN: Hall County, School District 2. [LB540]

SENATOR GROENE: I'm just looking how you would have got cut, 2.7 percent. [LB540]

VIRGIL HARDEN: Uh-huh. [LB540]

SENATOR GROENE: That's way below the 4.5 percent, the average cut. So actually you do fare very well in LB409, do you not? [LB540]

VIRGIL HARDEN: Well, do we fare well is a subjective question. So we have to take a step back and take a look at the mechanisms and the pieces and parts of LB409 and what you're doing, and certainly not just the first year but the second year. I have yet to see a projection on the second year. As Mrs. Albers pointed out, clearly the Grand Island Public Schools has high needs. And so we know you have a tough job, Senator. We know you have to balance the budget. You can't borrow money. Nobody is suggesting that. We're thankful for the resources you do give us. We just feel very obligated to advocate for kids that can't advocate for themselves. It isn't just about pitting one bill against the other. It's about what's good public policy. And you think about Grand Island Public Schools and you think about the fact that we have 10,000 students, we spend \$9,000, approximately, per pupil. If we just spent an average, it would be another \$18 million of spending. So we're efficient. And so LB409 is just a different type of bill. It does different mechanisms. Obviously, this hearing is on LB540. We just felt that it was important as an organization, as GNSA, that we work with Senator Stinner and others to propose a mechanism that was as fair as possible. Clearly the first ask... [LB540]

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SENATOR GROENE: How do you, say, taking all of the option enrollment money from school districts, all of the income tax allotment from school districts, fair? Those citizens pay income and sales taxes also. [LB540]

VIRGIL HARDEN: Correct. [LB540]

SENATOR GROENE: They fund the state aid by those taxes. [LB540]

VIRGIL HARDEN: The bill as introduced isn't as fair as what we would want, and so we had worked very hard on some modified language and that never got presented. You may have seen a rough draft or not. I don't know. [LB540]

SENATOR GROENE: They're still going to be at 50 percent. [LB540]

VIRGIL HARDEN: But we did talk about the 50 percent level kind of thing, to recognize that. You know, I think it was said earlier in the testimony that the key point probably is that we should consider all schools being at the table. We understand the nuances of just last year Senator Sullivan was able to get, what was it, LB595 or LB495 that put in play some of the mechanisms that you've talked about. [LB540]

SENATOR GROENE: LB959 I think it was. [LB540]

VIRGIL HARDEN: And we haven't let that run yet. And so that's difficult. We understand that. So we're just asking you to consider that allocated income tax for all school districts, because the mechanism you asked a question about, do you understand how the allocated income tax, well, the mechanism is changing. How it was calculated for this school year is different than how it's going to be calculated for next school year because of legislation. That legislation hasn't been allowed to take effect. [LB540]

SENATOR GROENE: The models that we're working off of already are... [LB540]

VIRGIL HARDEN: Right. Are... [LB540]

SENATOR GROENE: ...taking it into consideration. [LB540]

VIRGIL HARDEN: Correct. So, you know, things change and we're very cognizant of the fact that those school districts are just now then being considered as receiving aid from the state. We

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get that, understand that. We think that was a good move forward, okay? We just think that you may want to consider some kind of adjustment to that because when you look at those school districts, their levies--the thing that we haven't talked about--and then this gets into a broader discussion about ag land and the burden on the producer, which Grand Island has .44 of 1 percent of ag land in our value. So maybe that's why we're so poor. I don't know. But...so, you know, comparing LB409 to LB540 is probably outside the scope of what we want to do. [LB540]

SENATOR GROENE: That's fine. [LB540]

VIRGIL HARDEN: But Grand Island understands we have to be at the table. We are going to take a reduction in the increase that we should be getting. [LB540]

SENATOR GROENE: Thank you. As you pointed out, you are not taking a reduction. You're getting about right at a million more than you did last year. [LB540]

VIRGIL HARDEN: Correct. But understand very clearly, Senator, that no way in any regard comes close to our increased costs that we can't control. [LB540]

SENATOR GROENE: What was your last union contract increase? [LB540]

VIRGIL HARDEN: We just settled our negotiated agreement, as required by law, and it was a 3.69 percent increase. [LB540]

SENATOR GROENE: Inflation is about 1.5 (percent). [LB540]

VIRGIL HARDEN: Uh-huh. [LB540]

SENATOR GROENE: So why did you need to go, in a recession, 3.69 (percent)? [LB540]

VIRGIL HARDEN: Well, the Commission of Industrial Relations and comparability and our array schools. [LB540]

SENATOR GROENE: Did you... [LB540]

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VIRGIL HARDEN: We had one school that increased their...you might be familiar with it. I think it's called North Platte--increased their base salary \$1,000. That increase impacts Grand Island Public Schools. We have to compete against that. [LB540]

SENATOR GROENE: Where do you sit in the array? You don't have to be in the middle. You don't have to be on the top half. [LB540]

VIRGIL HARDEN: Well, four years ago we were first. Second...third year...three years ago we were second. Two years ago we were third. This year we're at midpoint. So we've stepped down and down. [LB540]

SENATOR GROENE: What about administrators? What type of raises did you give administrators? [LB540]

VIRGIL HARDEN: We have not given any administrator any raises for next school year at this point. That is on the table. [LB540]

SENATOR GROENE: Thank you. That's not done yet, but it might happen. [LB540]

VIRGIL HARDEN: It could go either way. [LB540]

SENATOR GROENE: Yeah. [LB540]

VIRGIL HARDEN: Correct. [LB540]

SENATOR GROENE: So you did increase spending by choice. [LB540]

VIRGIL HARDEN: We increased our spending by the negotiated process, by negotiations and the CIR. [LB540]

SENATOR GROENE: Did the union take you to the Commission of Industrial Relations? [LB540]

VIRGIL HARDEN: We have not gone to the commission, no. [LB540]

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SENATOR GROENE: So you don't know if you didn't give too much if they...you did not go to the Commission of Industrial Relations. So you don't know if you gave too much or not enough. They didn't force you to do anything. You haven't had a ruling from them, have you? [LB540]

VIRGIL HARDEN: Not since 1990 we haven't had a ruling from them, so if you, you know, it's not cost-free to go to the CIR. You spend a lot of money,... [LB540]

SENATOR GROENE: Right. [LB540]

VIRGIL HARDEN: ...time, and effort to do that. I've been negotiating contracts for 25 years, Senator, and it's a much better process for an organization to try to meet reasonable. I don't think, when you look at our size of district and see that we're at the midpoint of our array, that we're outside of the normal. You know, you changed the legislation. We can be at 98 percent, 102 percent, and we're at 100 percent when we were much higher. So we've used that change in legislation to have an argument to try to reduce that over time. So again, I don't think...I don't think there's much fruit to be gained to talk about our efficiency. I'll compare our efficiency to a lot of school districts and ask some questions about that. [LB540]

SENATOR GROENE: But you do understand we are part of the free-market system, so is our public schools, that they can't live in a utopian society where they're never affected by what's happening to the people who own that public school--the taxpayers. [LB540]

VIRGIL HARDEN: Oh, I...we...as I mentioned, we totally understand we have to be at the table. We have consistently taken our fair share of the reductions over the years. [LB540]

SENATOR GROENE: Have you ever had a vote override on your levy? [LB540]

VIRGIL HARDEN: We have not. [LB540]

SENATOR GROENE: Why not? You have that ability. [LB540]

VIRGIL HARDEN: We have been at the...we do have the ability, as every school district does. We have been at the maximum levy every year since there's been a maximum levy. And we try to operate just like the state, within the guidelines that are given us. We're a poor community. We're a poor school district. We're what you might call a blue-collar community. Our patrons elect our school board members. The school board members, in the time I've been there, have never suggested that that would be something that we should do or pursue. [LB540]

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SENATOR GROENE: Have you brought it to them as an option? [LB540]

VIRGIL HARDEN: We talk about it every year. [LB540]

SENATOR GROENE: Also, you sit like North Platte. You lose an awful lot of students to Northwest, don't you? [LB540]

VIRGIL HARDEN: Well, through net option funding,... [LB540]

SENATOR GROENE: Yes. [LB540]

VIRGIL HARDEN: ...they choose to go to Northwest. [LB540]

SENATOR GROENE: So that affects your budget also. [LB540]

VIRGIL HARDEN: Absolutely. [LB540]

SENATOR GROENE: And that's part of the system, isn't it? [LB540]

VIRGIL HARDEN: And we have no... [LB540]

SENATOR GROENE: So you don't have any student growth. [LB540]

VIRGIL HARDEN: ...serious qualms. [LB540]

SENATOR GROENE: Yeah. [LB540]

VIRGIL HARDEN: We do have student growth. We have about 150 to 200 students a year that we grow. And you know, it's about the type of students that come to our community. Obviously, we have kids that come to us 100 percent ready to go, no problems, but we have many students that come to us with severe poverty, English as a second language, and unfortunately, most recently with extreme mental health issues. [LB540]

SENATOR GROENE: Were you around in '12-13, I think it was, the last time we did this? [LB540]

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VIRGIL HARDEN: Absolutely. Absolutely. [LB540]

SENATOR GROENE: LB409 mirrors what we did in '12-13 except because of the abnormality of the option. We added the 4.5 percent cut to option enrollment. But basically this is what we did in 2012 and '13. How did you get through that... [LB540]

VIRGIL HARDEN: We... [LB540]

SENATOR GROENE: ...when there was no override of the tax levy back then? [LB540]

VIRGIL HARDEN: We didn't do any override. We cut \$10 million from our budget in one year and it was extremely painful. We have yet to recover and you're here cutting us again. So it's painful, Senator. I mean I don't...I hope you understand that we're past the skin. [LB540]

SENATOR GROENE: I'm in agriculture. I'm in agriculture. My income is at 25 percent what it was in 2012 and I accept that. [LB540]

VIRGIL HARDEN: Well,... [LB540]

SENATOR GROENE: Government employees might try that, too, that they don't need a raise one year. [LB540]

VIRGIL HARDEN: We'll propose it to our union and see what happens. [LB540]

SENATOR GROENE: Go to the committee of Industrial Relations and see what happens. [LB540]

VIRGIL HARDEN: Okay. [LB540]

SENATOR GROENE: Thank you, sir. Any other questions? Senator Linehan. [LB540]

SENATOR LINEHAN: Could you...thank you, Chairman. Could you just give me a short answer on "great increase in extreme mental health issues"? [LB540]

VIRGIL HARDEN: Well, a little insider information, my wife is a 1st grade teacher at one of our elementary schools and we have a newcomers program that we house at that building. And

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the newcomers come to us from all over the world. We have 22 different foreign languages in our district and sometimes those folks are having a very hard time adjusting to just American standards and understanding the proper respect to show to a woman, to show to a teacher. And sometimes they're just dealing with those issues and other times they're dealing with issues of severe schizophrenia and other types of things that those students are coming to us and we have to deal with them, certainly not just at the newcomers. We've had to add a behavioralist at one of our elementary schools because we're having so many kids act out because they're not learning these proper skills. And so there's just so many areas on the continuum of mental health that are affecting how our schools are actually operating. [LB540]

SENATOR LINEHAN: Do you employ a psychologist? [LB540]

VIRGIL HARDEN: We do have psychologists. We run a co-op for our special ed for other school districts around. We have many. We have, I think, four school psychologists. [LB540]

SENATOR LINEHAN: Yeah. Okay. Thank you. [LB540]

SENATOR GROENE: One last question: Do you spend any money outside your budget authority? [LB540]

VIRGIL HARDEN: Um... [LB540]

SENATOR GROENE: Early retirement or anything like that? [LB540]

VIRGIL HARDEN: No. [LB540]

SENATOR GROENE: You don't. [LB540]

VIRGIL HARDEN: Uh-uh. We don't. We have an early retirement (inaudible) plan that we can bring up off the shelf and use it that, but we don't do...we're a very conservative school district, Senator. We don't like to spend money anymore than anybody else does but we have to get our job done. [LB540]

SENATOR GROENE: Well, I praise you for that. There's some that don't. [LB540]

VIRGIL HARDEN: I would agree. [LB540]

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SENATOR GROENE: Thank you. Thank you for your testimony. I understand you guys are landlocked. I understand your problem. [LB540]

VIRGIL HARDEN: Thank you, Senator. [LB540]

SENATOR GROENE: (Exhibits 2 and 3) But 2.7 percent isn't bad. Any other proponents? Opposition? Neutral? Oh, wait a second. I got to read all...we've had no letters of support, two in opposition from the Nebraska State Education Association and then the Agriculture Leaders Working Group, which is the Wheat Growers and all the rest of them--I forgot their names--Soybean Growers and all the rest. No neutral? No letters of neutral. And Senator Stinner waived closing so that ends the hearing on LB540. We will thank you for coming. It's the last hearing of the year for this committee except for approval of some appointments. We're going to go into Exec, so. [LB540]