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Transcriber's Office

Revenue Committee
January 26, 2017

[LB65 LB118 LB295]

The Committee on Revenue met at 1:30 p.m. on Wednesday, January 18, 2017, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB295, LB65, and LB118. Senators present: Jim Smith, Chairperson; Curt Friesen, Vice Chairperson; Lydia Brasch; Mike Groene; Burke Harr; Brett Lindstrom; and Paul Schumacher. Senators absent: Tyson Larson.

SENATOR SMITH: Good afternoon, everyone, and welcome to the Revenue Committee public hearing. My name is Jim Smith. I represent District 14 in Sarpy County and I serve as Chair of this committee. The committee will take up the bills in the order posted on the outside of the room. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To facilitate today's proceedings, I ask that you abide by the following procedures. First, please turn off your cell phones and other electronic devices so that they do not interrupt those that are testifying today. Those that are wishing to testify, once someone is in the chair at the front table, if you would move forward in the room so that you're ready to move into that chair whenever they finish their testimony. The order of testimony will be the introducer of the bill, proponents, opponents, those wishing to testify in a neutral capacity. And then will close out with remarks from the introducer, closing remarks from the introducer. If you will be testifying, please complete the green form and hand that to the committee clerk. When you come up to testify if you have written testimony or exhibits for the committee and you would like to distribute those handouts, please hand them to the page and they will get those around to the committee members. We will need 11 copies for all of the committee members and for the staff, and if you need assistance in making those copies just let one of the pages know and we will help you out with that. When you begin to testify, please state and spell your name for the record. That's for the transcriber to be able to make certain they get it correct into the record. Please be concise. It is my request that you limit your testimony to five minutes, no more than five minutes if necessary. And we are going to use the light system today. So the way it will work is the green light will be on for four minutes during your testimony. It will then turn to amber colored and you will have a minute to wrap up your testimony at that point. If the light turns to red, we ask that you finish up at that point if you have not done so already. If your remarks have been reflected in a previous testimony or if you would like your position to be known but do not wish to testify, you're more than welcome to sign the white form at the back of the room and it will be included in the official record. I know we do have a number of people wishing to testify today so we need to stick to those rules. Please speak directly into the microphone so that our transcribers can get it correct for the record. The microphone does not project your voice; it is only there to record your testimony. I'm going to introduce the remainder of the committee now. And Senator Tyson Larson on my far left, Senator Tyson Larson is not with us today. Next I'll have my next colleague introduce himself.

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SENATOR GROENE: Senator Mike Groene, District 42, Lincoln County. I'll have to leave about 2:30 to present a bill in another committee. So don't think I'm skipping out on you.

SENATOR LINDSTROM: Senator Brett Lindstrom, District 18, northwest Omaha.

SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

SENATOR BRASCH: Lydia Brasch, District 16, Cuming County, Burt County, and Washington County.

SENATOR SCHUMACHER: Paul Schumacher, District 22, that's Platte and parts of Colfax and Stanton Counties.

SENATOR SMITH: And Senator Friesen is the Vice Chair of the committee. And whenever I'm introducing my bill Senator Friesen will assume my responsibilities as Chair of the committee. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. And to my left at the end of the table is committee clerk, Krissa Delka. Our pages today, we have Alexi from Milwaukee, Wisconsin, and Sarah from Topeka, Kansas. We appreciate them helping us out today. Please remember that senators will come and go. As Senator Groene mentioned, we have bills to introduce in other committees. We do care about what you're here to testify on today, but we do have responsibilities in other committees so we will be coming and going possibly during the hearing. So please be patient with us on that. Lastly, we do use electronic devices around the committee table. We receive information on paper but we also receive that in electronic form. So we do occasionally need to reference our electronic devices for that purpose, and again, ask for your patience with that. So I'm going to turn it over to Senator Friesen.

SENATOR FRIESEN: Thank you, Chairman Smith. And we will open with LB295. [LB295]

SENATOR SMITH: Good afternoon, Senator Friesen and members of the Revenue Committee. For the record, my name is Jim Smith, J-i-m S-m-i-t-h, and I represent the 14th Legislative District in Sarpy County. I'm here today to introduce LB295. Nebraska is fortunate in that we have great school systems and great schools--great public schools, great private schools. As a state, one of our most fundamental responsibilities is to ensure that our children receive a quality education. I believe it is our responsibility to ensure that opportunity is available for every family to choose the type of education that is best for them and best for their children. As a parent--my children are grown now, long grown--I was fortunate enough to have that choice. My children

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were home-schooled, they attended private school, and they graduated from wonderful public schools districts. My son graduated from Papillion-La Vista and my daughter from Ralston. Throughout their education, my wife and I determined what was best fit for each child at different stages of their upbringing. Some children thrive in one environment while others do better in another. Unfortunately not all families have the means to make that choice for themselves. LB295 would allow for the adoption of the Opportunity Scholarships Act. Under the act, nonprofit scholarship-granting organizations will help families of limited incomes should the family determine attendance at a nonpublic school is a better option for their child. Tax credits would provide an incentive to encourage charitable giving to improve education opportunities for children. Individuals and corporations wishing to donate to a scholarship-granting organization would be eligible for a nonrefundable tax credit equal to 100 percent of the donation. Any unused portion of the credit could be carried over for five years. For 2018, the total amount of credits allowed under this bill would be \$10 million. That amount would increase by 25 percent each year if at least 90 percent of the credits were claimed the prior year. Recognizing the current condition of funds in our state, I think we're all very aware of that. I believe the framework of this bill is certainly a priority and more important than the initial dollar amount that we're asking for. So again, the framework for me is utmost importance to put this into place so that we can move money into it into the future. Each scholarship-granting organization would have to be certified by the Department of Revenue and would assist with providing scholarships to assist families with the cost of children attending a qualified school which is defined as a nonprofit privately operated school that fulfills accreditation or approval requirements established by the Board of Education in our state. The scholarship-granting organization could not limit the scholarship availability for attendance to only one particular school. Keep in mind the funds raised would be for scholarships for the students, not for specific schools. The organization would also have to allocate at least 90 percent to 95 percent of the funds raised to scholarships depending on the state's annual tax credit limit. The organization would also have to release a detailed annual report to the Department of Revenue, the Governor, and to the Legislature. To be considered a qualified student, the child must be a member of a family whose gross income does not exceed two times the federal income eligibility guidelines for reduced price meals. And for a family of four, that is \$89,919 a year. This bill does not apply to children already in private schools. The qualified student would either have to be entering kindergarten or 9th grade or transferring from a public school for the first time. The student remains eligible as long as he or she is continuing their education at a qualified school. A sibling of a student already receiving a scholarship is also deemed to be eligible. Seventeen other states have similar programs to this, including neighboring Iowa and Kansas. Those programs have proved to be successful. In fact, a nonpartisan analysis of Florida's program showed that for every one dollar spent on their program, their state saved almost \$1.50. Though there may be some testimony to the contrary, this bill is not about public versus private schools. I sit on foundation of one public school and on the advisory council of another public school and I believe in the services that those public schools provide. LB295 is about recognizing that all families should have the

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opportunity to determine the best kind of education for their children. It's about the state providing more opportunities to ensure that all children receive the best education possible. That concludes my testimony and I ask that the committee listen to the testimony behind me today intently. And I'll be back up for closing. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Smith. Are there questions from the committee?
Senator Harr. [LB295]

SENATOR HARR: Thank you, and thank you, Senator Smith, for your public service to this state and to your individual school districts. It's much appreciated and should be commended. So I have a couple questions based on your testimony. You made the...and I guess I want just a little clarification. You made the conclusionary statement that these programs have been proven to be successful. I guess my question is what is your definition of success? [LB295]

SENATOR SMITH: Well, I'm going to maybe take it to a little bit higher level and I'll talk about it there and if you want to drill down further, that's fine. For me as a businessperson, Senator Harr, I believe that competitive values in any industry that we have in our country or in our state bring about improved outcomes. It brings about innovation. And to me, if we can provide choice I believe that that level of competition can serve to improve the outcome. So what success is for me is success is allowing families to have the choice. Those families that do not have the means for that choice, that they are given a little bit of assistance, being given a framework for being able to make those decisions and that we somehow can improve the outcomes across the state. [LB295]

SENATOR HARR: Okay. So let me drill down a little bit deeper. That's good. And I appreciate that comment because you are fortunate enough to live in the Learning Community and I know you are excited about that. There's competition there, isn't there? You can choose between any one of those I believe it's 11 or 12 school districts within the Learning Community, can you or can you not? [LB295]

SENATOR SMITH: Absolutely, and I mentioned that in my testimony that as myself, we were able to make those decisions for our family. [LB295]

SENATOR HARR: Okay, so there's choice. Is there any data that proves by having more school choice that there are better academic outcomes? [LB295]

SENATOR SMITH: I believe that there probably will be some folks following me today that may have that information for you. [LB295]

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SENATOR HARR: Okay, and I look forward to that testimony. You stated that there was a study that said for every \$1 invested in this SGO, there's \$1.50 in savings, is that correct? [LB295]

SENATOR SMITH: That was a Florida study. [LB295]

SENATOR HARR: Okay. Do you know who conducted that study? [LB295]

SENATOR SMITH: I do not. I can get that information for you. [LB295]

SENATOR HARR: Okay. So you probably don't know how they came up with what numbers they got for that \$1 to \$1.50. [LB295]

SENATOR SMITH: We can get you that study. [LB295]

SENATOR HARR: Okay. [LB295]

SENATOR SMITH: We can get that for you. [LB295]

SENATOR HARR: Okay. Well, I look forward to that. Now I'm going to ask about the bill itself because I'm a simpleton and I'm just trying to figure out how it works. [LB295]

SENATOR SMITH: Okay. [LB295]

SENATOR HARR: So I am Joe Taxpayer and I want to give to one of these organizations. How do I do it? I can't just write a check for \$100, can I? [LB295]

SENATOR SMITH: Well, I believe you can, but I believe that it has to be a qualified organization. [LB295]

SENATOR HARR: Well, if I want my tax deduction--let me restate that--if I want the actual tax deduction, can I turn around...let's pretend I am Burke Harr, Inc., and it's a really successful company. And I want to give back to society and so I say I want to give, well, the max is \$10 million, I want to give \$10 million. Can I just write a check for \$10 million for tax...and get that tax credit? [LB295]

SENATOR SMITH: I don't think it's that simple. [LB295]

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SENATOR HARR: Okay, so walk me through. I want to write a check to this organization. Is there a preapproval process or how does that work? [LB295]

SENATOR SMITH: Well, what I would encourage...and I know you're not a simpleton. You're very, very bright. [LB295]

SENATOR HARR: Well, I appreciate that. There are some who will disagree with you in the audience. (Laughter) [LB295]

SENATOR SMITH: Certainly, not me, Senator Harr. (Laughter) But what I would ask and request of you is let's go through the testimony and let's see if some of these questions get fleshed out. If they do not we can certainly drill into those if those are the deciding factors in your support of this bill. [LB295]

SENATOR HARR: Okay. All right. So then let me ask you one other question. They give to a school. Is that school allowed to discriminate based on race? [LB295]

SENATOR SMITH: No, I believe...I think that the conditions, if I'm not mistaken, and I do have that, I believe that this is similar to a previous bill that we heard last year. It was LB26 and I think that same question may have come up last year. Cannot discriminate on the basis of race, color, or national origin. I think there was some discussion last year in terms of disability. [LB295]

SENATOR HARR: Okay, disability. What about sex? [LB295]

SENATOR SMITH: There's nothing in that bill about that. [LB295]

SENATOR HARR: Okay. [LB295]

SENATOR SMITH: But right now I believe the bill focuses on race, color, or national origin. [LB295]

SENATOR HARR: As a Prep grad, I want to make sure that Prep kids can receive this. And there's a lot of studies out there that show single sex schools do perform better. What about based on gender identity? [LB295]

SENATOR SMITH: I do not believe that's in it. [LB295]

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SENATOR HARR: Okay. What about based on sexual preference? [LB295]

SENATOR SMITH: That was not part of the previous year's bill either. [LB295]

SENATOR HARR: Okay. So a school could discriminate based sexual preference. [LB295]

SENATOR SMITH: We haven't addressed that but I'm happy to talk to you about some of these things that you're bringing up. [LB295]

SENATOR HARR: So you're amenable to amendments based on that? [LB295]

SENATOR SMITH: I'm always agreeable to sit down and talk about whatever is between you and your support of the bill. [LB295]

SENATOR HARR: And I appreciate that you're willing to talk about this. So, look forward to further testimony. Thanks for bringing it. Good to see you, Mr. Chairman. [LB295]

SENATOR SMITH: The pleasure is all mine. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen, and thank you, Senator Smith, for bringing this for some what apparently is going to be some pretty lively discussion. Just a couple questions. First of all, do you know of anyone who will be testifying in favor of this who is kind of in the legal nitty-gritty of it and can...would be the best person to ask questions? [LB295]

SENATOR SMITH: I believe we do have someone here. [LB295]

SENATOR SCHUMACHER: Okay. Well, if I could figure out who that is I'll save most of this... [LB295]

SENATOR SMITH: I will ask them to identify themselves as the legal expert. [LB295]

SENATOR SCHUMACHER: Okay. Just a couple questions then. You said that this would not be for anybody who is now in a parochial school. [LB295]

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SENATOR SMITH: That's the way it's written, yes. [LB295]

SENATOR SCHUMACHER: Well, in looking through that, eligible student has two qualifications, one, they have to be below the income level which I take it is about \$90,000 for two kids in the family, which is quite a bit above our median income in the state. But the second thing they have to do and I'll read (b) because I don't know what you said squares with this and maybe it's just an oversight in drafting: Is receiving an education scholarship for the first time and entering kindergarten or ninth grade in a qualified school or transferring from a public school to a qualified school and is entering any of the K-12 grades. That's an "or." So if I have a child in a parochial school now and I want to qualify, I take him out for a quarter of the year and then for the first time apply and I'm in on the game. Is that the intent? [LB295]

SENATOR SMITH: That is not the intent, certainly not my intent. But that's an interesting...that's an interesting twist. So if you have some recommended language happy to hear what that might be. [LB295]

SENATOR SCHUMACHER: Okay. Now, there...I'll see if I can catch a tax expert to get to the rest of this. Thank you, Senator Smith. [LB295]

SENATOR SMITH: Okay. All right. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Any questions from the committee? Senator Groene. [LB295]

SENATOR GROENE: Thank you, Senator Friesen. I've been reading it. Is there a limit on the size of the scholarship? You've got some private schools that might \$30,000, \$40,000. And then you've got a parochial school that might be \$3,000 or \$4,000. Is there going to be a limit on the size of the scholarship for tuition? [LB295]

SENATOR SMITH: Not in my understanding with this bill. [LB295]

SENATOR GROENE: All right. And then it does say...I'm playing Gabriel's advocate here. It does say race, color, or national origin. There are schools out there that use a technique of only having all male or all female and it's proven to be productive. So to put sex in there, that would eliminate those schools, would it not? [LB295]

SENATOR SMITH: I think it could, which would not be the intent. [LB295]

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SENATOR GROENE: No. That's the parents' choice. [LB295]

SENATOR SMITH: That's right. [LB295]

SENATOR GROENE: So it's a one-to-one credit. If you put \$5,000 in it comes \$5,000 right off your net income tax? [LB295]

SENATOR SMITH: It's a 100 percent, yes. [LB295]

SENATOR GROENE: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. Any other questions from the committee? I just have kind of one question, maybe a clarification on it. So if a corporation wanted to make a donation to the scholarship fund, do they have any control over who receives the scholarship other than meeting the qualifications of a student? [LB295]

SENATOR SMITH: I'm not for certain. I'm going to have to check on that. I'm not for certain. [LB295]

SENATOR FRIESEN: Okay. I think that's all the questions. [LB295]

SENATOR GROENE: Just one more. [LB295]

SENATOR FRIESEN: Senator Groene. [LB295]

SENATOR GROENE: Reading some of these letters they're talking about how it's going to take money from the public schools. Do you see anything in here that would take any money from the public school system? It does not affect...it's not a scholarship from the TEEOSA formula or the state of Nebraska. [LB295]

SENATOR SMITH: Well, I guess I would answer that by stating that our purpose of funding public schools is not to reduce the choice for families. So I think providing families the choice is what we should be focused on and that should not take funds away from public school. [LB295]

SENATOR GROENE: So you don't think the choice should be hindered by government? [LB295]

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SENATOR SMITH: That's correct. [LB295]

SENATOR GROENE: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. I see no further questions. So we'll...any proponent who wishes to testify can come forward. Welcome. [LB295]

JIM VOKAL: (Exhibit 1) Good afternoon. Vice Chairman Friesen and members of the Revenue Committee, my name is Jim Vokal, J-i-m V-o-k-a-l, and I'm the CEO of the Platte Institute. Some people may wonder how an education choice bill found its way into the Revenue Committee. As today's National School Choice Week rally shows, education choice inspires great excitement and discussion. But the reason we're in this room today is not to deal with the usual debates. We're here because the Opportunity Scholarships Act creates a very small, but meaningful change in our tax code which will give more options to families in need. It's a change 17 other states have already made, including our neighbors in Iowa, Kansas, and South Dakota. Since this committee last heard a tax credit scholarship bill in 2015, three new states have adopted similar programs. I say the change made by the Opportunity Scholarships Act is small, but meaningful, because our tax system already recognizes the principle behind LB295. Today, Nebraskans donating to scholarship funds are eligible for a tax deduction. These incentives to donate exist because people donating to causes are doing a community service that would often have to be taken up by government instead. This is particularly true for education. Nebraska's private and parochial schools, as well as homeschool families, do an incredible service to children, taxpayers, and even our public schools. They provide a savings to taxpayers with every child they enroll in their programs. When families have the choice of enrolling their child in a private school thanks to opportunity scholarships, they will be increasing the per pupil amount available to other children enrolled in our public schools. And students who matriculate from private school programs often go on to excel in our public schools and universities as well. Independent reviews of tax credit scholarships in other states, and even Nebraska's previous proposal, also show states can experience substantial savings. A nonpartisan analysis--and, Senator Harr, I can give you that organization--found Florida saves \$1.49 for every \$1 in tax credits. In Iowa, a study by EdChoice finds that a low-end estimate of savings from their tax credit scholarship is \$280 million since 2006. But the Opportunity Scholarships Act deserves your support not just because it saves money over time, but also because it's the right thing to do for working families in Nebraska. By upgrading the state's encouragement for scholarship-granting organization donations to a dollar-for-dollar tax credit, more private donations will be made to help families in need. A growing Opportunity Scholarship program will make a life-long difference in leveling the playing field for children from low- and middle-income families. Workers considering Nebraska for relocation can know that whatever their take-home pay is, their children will have the same opportunities to receive an education as children from wealthier families. Opportunity Scholarships provide a formula that is already working in states that are

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gaining substantial amounts of income, population, and economic growth at Nebraska's expense. A study by Dr. Russell Sobel, a professor of Economics and Entrepreneurship at The Citadel identified the top states Nebraska competes with. Of our five top rivals, three states--Arizona, Florida, and Iowa--already offer programs like the Opportunity Scholarships Act. Florida's tax credit scholarship is the currently nation's largest private education choice program. Nearly 100,000 students are enrolled this year in over 1,700 participating schools thanks to private, tax-credited donations. In 2009, researchers conducted a random survey of 808 parents with children enrolled in the program, mostly single moms from minority backgrounds. These parents expressed a 97 percent satisfaction rate with their child's academic progress. Imagine the incredible amount of good that can be accomplished if all the educational, philanthropic, and community institutions gathered here today were able to create a program of this kind in Nebraska. I humbly ask the Revenue Committee to give them this chance by advancing the Opportunity Scholarships Act. I'm happy to answer any question, however, Senator Schumacher, I'm not a tax lawyer or accountant. [LB295]

SENATOR FRIESEN: Thank you, Mr. Vokal. Are there questions from the committee? Senator Harr. [LB295]

SENATOR HARR: Did you sleep in a Holiday Inn Express last night? [LB295]

JIM VOKAL: I did not. [LB295]

SENATOR HARR: Okay. Well, let's see what we can do then. [LB295]

JIM VOKAL: But I did see you at church. [LB295]

SENATOR HARR: Yes. (Laughter) I missed you at First Communion training. How many states did you say have this? [LB295]

JIM VOKAL: Seventeen offer this type of legislation. [LB295]

SENATOR HARR: Seventeen, okay. And you're pretty familiar with the different legislations in those 17 states? [LB295]

JIM VOKAL: Somewhat. I know which ones don't necessarily have worked in the past, but I also have some research on of those 18...17 or 18 states, yes. [LB295]

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SENATOR HARR: My first question is, if you know, what was the median income of recipients of these credits? [LB295]

JIM VOKAL: I do not know that offhand but can find that out. [LB295]

SENATOR HARR: Okay. Do you have a ballpark? [LB295]

JIM VOKAL: I do not. [LB295]

SENATOR HARR: Okay. Well, I wanted to ask you...I think I'll save some of this for the tax person, whomever that may be, coming up. Do you have a problem with...so the way it's written right now is you can't discriminate based on race, color, or national origin. It's kind of a political hot button right now is religion, would you have a problem if we said religion, added religion, that you can't discriminate based on religion? [LB295]

JIM VOKAL: Not a problem at all. [LB295]

SENATOR HARR: Okay. What about sexual preference? [LB295]

JIM VOKAL: Not a problem at all. [LB295]

SENATOR HARR: Okay. Good. And last but not least, and again, if I'm getting too far in the weeds let me know, could I form my own 501(c)(3) school, am I...if I'm a homeschooler and I want to receive this credit, could I form my own 501(c)(3)? [LB295]

JIM VOKAL: No, because the intent of the legislation is that the donation is only eligible for state tax credit if that money is given to a scholarship granting-organization such as Children's Scholarship Fund. [LB295]

SENATOR HARR: All right, so let me take a step back. I wasn't very clear. [LB295]

JIM VOKAL: I went to public school so it may take me a little longer. [LB295]

SENATOR HARR: No, it's me. It's me, it's me. I have three children and let's pretend, only because I love to pick on her, my oldest one is a bit mischievous. And I decide homeschooling is the best option for her, but you know, I'd have to forgo my \$12,000 a year here. So I gotta find a way to make up that \$12,000. So I form my own 501(c)(3) and say let's form the Harr Academy

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for Excellence in Drama because she's a drama queen. Can...if I homeschool her and I form a 501(c)(3), can I then be a qualifying school to receive this money? [LB295]

JIM VOKAL: No. [LB295]

SENATOR HARR: And why is that? [LB295]

JIM VOKAL: Homeschoolers are...homeschooling is exempt, is not included in this legislation. [LB295]

SENATOR HARR: Where is it excluded? How is it not included? [LB295]

JIM VOKAL: I don't have it in front of me but I know that they are not included in this legislation. [LB295]

SENATOR HARR: Okay. And this is a complicated bill so I'll take your word on it and I'll look for that. And I appreciate your testimony today. Always a pleasure to speak with you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Groene. [LB295]

SENATOR GROENE: You had your...all right. Thank you. On those other states, did they track how many students were enrolled in private schools and because of the program did that enrollment go up? Or did we just rotate kids giving them scholarships in the same numbers? [LB295]

JIM VOKAL: No, the enrolment went up, but what's even more important, Senator Groene, is that the success of these students also went up. In one study that was conducted in 2013, students were 10 percent more likely to enroll in college and 35 percent more likely than their peers in public school to obtain a bachelor's degree. [LB295]

SENATOR GROENE: Graduates. [LB295]

JIM VOKAL: Correct. [LB295]

SENATOR GROENE: What about graduation rates? [LB295]

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JIM VOKAL: Higher as well, higher as well. [LB295]

SENATOR GROENE: In those other states, when you say it saved \$150 for every \$100, you're talking expense of educating that child in the public schools. [LB295]

JIM VOKAL: That's exactly correct. [LB295]

SENATOR GROENE: And our fiscal note doesn't mention that. [LB295]

JIM VOKAL: Correct. And we've seen this in all states...most states, I should say, that have adopted this type of legislation. We did a physical analysis of LB26 last year that showed that this is a breakeven proposal at year two. [LB295]

SENATOR GROENE: That offsets \$10 million or one-to-one tax credit. [LB295]

JIM VOKAL: Correct, correct. Well, that wasn't a one-to-one. That was a 60 percent. So that distinction needs to be made. [LB295]

SENATOR GROENE: All right. Thank you. [LB295]

JIM VOKAL: You bet. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you for your testimony today. If I've done my math right and I was playing with my calculator, at the end of year 10 we're look at a \$74 million a year expenditure under this bill. Is that pretty close to accurate? [LB295]

JIM VOKAL: I think you're right on track. [LB295]

SENATOR SCHUMACHER: Okay. And also just well I've got numbers in my head, is there...I noticed that the bill said that there's nothing in here that messes with the autonomy and governance of the recipient schools. [LB295]

JIM VOKAL: Correct. [LB295]

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SENATOR SCHUMACHER: Okay. So a recipient school, if it so chose, could basically say that unless a student is covered by this program, in other words below, for a family of four, \$90,000 a year income, we won't charge tuition to anybody above that in income. And if they want to donate that's fine, but we won't charge them tuition and thus shovel their tuition costs all into this program for basically almost 100 percent funding from the state government, can't it work? [LB295]

JIM VOKAL: I'm not sure that's the case. [LB295]

SENATOR SCHUMACHER: And the final question...and I know the Platte Institute tries to work with keeping government accountable, fiscal controls, things of that nature. This is a revenue credit measure basically saying we're going to grant a credit, we're going to bypass the normal Appropriations process, we're going to bypass the normal accountability within the system that we have with our expenditures. Why this mechanism rather than out-and-out grants where we know we're putting \$73 million toward this project and we're watching it grow on all of our balance sheets and everything else and subject to review? We're going to find later on in the year as we go through the work of this committee that what tends to happen with credits is that they start out at a number, we lose track of them, the people roll through term limits and never to be seen nor heard from again, and these things are costing far more than what we have dissipated them to cost. Why take it out of the normal Appropriations route if this is a good deal? [LB295]

JIM VOKAL: Well, I welcome those accountability or even sunset provisions in the bill to have future Legislatures look at outcomes and decide if the program is growing beyond the sustainability of the budget. But I will go back to those states that we've looked at that have expanded their programs. They're realizing cost saving, so I don't think this is going to be, based on that research, a net increase in the state's budget. And I also want to...a previous question that you asked, you know the important thing, Senator Schumacher, at this point is in this stage it's not necessary the amount of tax credits that the Legislature approves. I think Senator Smith says it's about approving the program. And we need to certainly be cognizant of the fiscal environment we're in and I think the accountability points that you bring up are good. [LB295]

SENATOR SCHUMACHER: But along those lines, the \$10 million figure is \$10 million; \$70 million is a lot more. And the next year after that it just starts dramatically going up to \$93 million. And if we lock into that a formula and have to go through a whole process of backing out of it if it is getting very expensive, and at some point by the 1.25 number it's going to get very expensive, we take flexibility and decision making away from future Legislatures who may have other priorities like a bunch of baby boomers that need nursing homes. [LB295]

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JIM VOKAL: I am under the belief based on the research this program results and savings for the state budget. [LB295]

SENATOR SCHUMACHER: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Harr. [LB295]

SENATOR HARR: Thank you. Is the savings to the school district for not educating the kid or is the savings to the state because we're forgoing this income tax? [LB295]

JIM VOKAL: But the per pupil allocation for public education by the state goes down because less people are enrolled in public school. That is where the savings in Florida and Iowa and other states... [LB295]

SENATOR HARR: And you know, it's been pounded into my head, 212 of the 245 school districts don't receive any state aid though. So I don't know where the savings to state would come. [LB295]

JIM VOKAL: We would...I would be happy to sit down with you one on one, Senator. [LB295]

SENATOR HARR: Okay. Thank you. I appreciate it. [LB295]

JIM VOKAL: And the office in Florida that did that study was actually similar to the Legislative Fiscal Office that we have here. It was the Office of Program Analysis and Government Accountability. [LB295]

SENATOR HARR: And I think the difference is we don't provide a lot of state aid in Nebraska because we're 49 in 50 out of state aid to local school districts. I think might be true in other states. But we here, as Senator Groene likes to remind me, are very reliant on property taxes to pay for education which we don't receive any of in this (inaudible). [LB295]

JIM VOKAL: I understand. [LB295]

SENATOR HARR: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Groene. [LB295]

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SENATOR GROENE: Scholarships in general--I don't know the answer to this--are they taxable? So you've got a family making \$90,000 and they spend \$10,000 to put... [LB295]

JIM VOKAL: I don't believe they are. [LB295]

SENATOR GROENE: ...two children in a school, they can't write that off. It's part of their net money after taxation. But if that same family got \$10,000 in scholarship, that's actually extra income. They don't add that as income? I'm just playing Gabriel's advocate here again. [LB295]

JIM VOKAL: I'm not 100 percent sure so I'd hate to say on record. [LB295]

SENATOR GROENE: All right. Thank you. [LB295]

JIM VOKAL: Sure. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. Any other questions from the committee? [LB295]

JIM VOKAL: Thank you. [LB295]

SENATOR FRIESEN: I've got a couple questions. I guess following up a little bit on the schools and the savings, so where do you think a program like this will work the best or where do you see it working? Is it out in the rural areas or is it more in Lincoln, urban, Omaha areas? [LB295]

JIM VOKAL: I think it's both. I was in Norfolk on Friday and spoke to some stakeholders, both business and education stakeholders in Norfolk. I've been to Grand Island and heard the same stories about, number one, that the private parochial schools have capacity to take more kids but they don't necessarily have the funding to give the scholarships to the lower and middle income families. And so I think it works both in the urban and rural parts of our state. [LB295]

SENATOR FRIESEN: But generally you're talking about schools that receive equalization aid, would you say that? [LB295]

JIM VOKAL: Sure, sure. [LB295]

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SENATOR FRIESEN: Okay. Are there...with these tax credits, are there any other tax credits that would be available for somebody then at the federal or state or this would just be a local tax credit? [LB295]

JIM VOKAL: Correct. And I would remind the audience here today that I looked earlier today. I think we have 21 types of state tax credits. What's more noble than education? And that's why I think this act needs to be considered. [LB295]

SENATOR FRIESEN: You know, we've talked a lot about the fiscal note, too, and it goes back to the question I guess of those schools. So do you calculate basically how much savings you think there will be from a public student that is in a, I would call, equalized school district, moving them to parochial school or wherever. Obviously it's not going to be a...if the student cost in that school district is \$11,000, they're not going to save \$11,000. But it's going to be a percentage of that. [LB295]

JIM VOKAL: That's correct, and I can walk you through our study that we did last year that was done by a former state education fiscal analysis that walks through those issues that you bring up. [LB295]

SENATOR FRIESEN: But each school would kind of provide different results depending on its size and... [LB295]

JIM VOKAL: Absolutely. Yep. [LB295]

SENATOR FRIESEN: Okay. All right. Thank you. Any other questions from the committee? [LB295]

JIM VOKAL: Thank you very much. [LB295]

SENATOR FRIESEN: Seeing none, thank you for your testimony. Welcome. [LB295]

PATRICK SLATTERY: (Exhibits 2-4) Thank you. Good afternoon. My name is Patrick Slattery. I am the...P-a-t-r-i-c-k S-l-a-t-t-e-r-y. I'm the superintendent of schools for the Archdiocese of Omaha. Before I begin my testimony, assuming this is proper etiquette, I did want to introduce some written testimony from Americans for Prosperity. I don't know if I need to hand that to anybody. So again, I am a superintendent of the Archdiocese of Omaha. We currently have 70 schools and 20,000 students. That places us the fourth largest school district in the state. We have increased our enrollment by 700 students in the past two years with the vast majority of those

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students meeting free and reduced lunch standards and coming to us with a multitude of learning needs. As for creating my testimony for this bill, having done it as well for LB26, I have truly struggled to consolidate the hundreds and hundreds of hours of research I have personally done and the many conversations I have had throughout the state on this topic. I could talk endlessly about the mountains of peer-reviewed research that exists in this country to show that bills like this are succeeding. And I know we had a question about the definition of "success" there. I could talk about the 45 states in this country that have introduced some form of legislation that empowers parents to have more choice and the fact that those programs are expanding in many of those states due to stakeholder satisfaction. I could stress that this bill does not touch one penny of the public school funding model. It is funded through private donations. I can talk with genuine sincerity that being pro opportunity scholarships does not equate in the least to being anti public school. Let me be the first to say I applaud our public schools and our public school educators for everything they do to support their students and communities. But at the end of the day, this bill is not about public schools. It's not about private schools. It's not about the institutions. It's about the families and the kids and empowering parents to make that decision as to what's the best educational fit for their children. We are already seeing the outcomes of this suggested bill through the work of Children's Scholarship Fund of Omaha, a nondenominational entity in business for I think 15, 16 years now where private donors fund scholarships for low-income families and in so doing receive a tax benefit. LB295 does the same thing. It allows private donors to fund scholarships for lower income families and in so doing to receive a tax benefit. The only variance here is the size of that benefit and that's why we're before you here today in the Revenue Committee. Nebraska has already applauded the work of Children's Scholarship Fund which has served 1,800 students annually knowing full well that the demand for those scholarships outweighs the funds available. One hundred percent of those 1,800 students are free and reduced lunch students. But let me try and provide a more personal example of the impact this bill can have. Last spring I received a call from a woman with a very heavy accent. I really struggled to pick up the majority of what she was saying. But I picked up the word "refugee" and I picked up the phrase "want my kids to attend Catholic school." After a long pause with an emotional plea that cut right to the heart of me I heard, police, sir, help me. A few days later I had to go pick the parent up at a bus stop in downtown Omaha because she ran out of money to pay the next leg of the fare to get to the school that we were going to meet at. She shared her story. I understood why she wanted her children in Catholic school. At the time that she had requested, all of the available scholarship avenues throughout the city were exhausted. Myself and a few others approached some friends and asked them to help underwrite the cost of this woman's children's tuition and we currently have her enrolled at a Catholic school in our Archdiocese. The school did waive a good portion of the cost in the hopes that we could find some of those dollars down the road. Yes, we did find financial assistance for this one woman but she is just one parent. I could go on and on of the many other families that have reached out to us looking for help and support to get their children into the school of their choice. In 2013, our Department of Education put a document out that read to the effect of we

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must all work together, all communities, all stakeholders must work together to offer expanded learning opportunities for students in the state of Nebraska. I'm here telling you right now that our 70 schools, and I know how to have many nonpublic schools, we welcome that call. We want to be a part of offering expanded opportunities for our families. At the end of the day, what this bill does is it empowers parents to make that choice. And it is time for all of us, public and nonpublic, to work together for our families. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Mr. Slattery. Questions from the community? Senator Harr. [LB295]

SENATOR HARR: Thank you, Vice Chair, and thank you, Mr. Slattery, for coming here today. It's a pleasure to see you. And thank you for your work you do for the Archdiocese of Omaha. Nine of my nieces and nephews go through the archdiocese, so I know the importance of our parochial schools. I guess my first it's not really a question, more of a comment. Fortunately as of today, the number of refugees who will be entering the United States have been cut in half, so maybe some of that need that you talk about has been taken care of thanks to President Trump. But I do want to talk about the refugees who come here with no money. They qualify for Title I money, don't they? [LB295]

PATRICK SLATTERY: They do. [LB295]

SENATOR HARR: Okay. And does that Title I money go to those schools with the student? [LB295]

PATRICK SLATTERY: It varies. See, I am working multiple school districts. So OPS, for example, the total dollars, those Title funds are pooled and returned to our office to help offer professional development. They are not dollars that we see that we can use. We are not allowed legally to use them as scholarship dollars for kids. It has to go to professional development. [LB295]

SENATOR HARR: No, but they go into providing services for those children, correct? [LB295]

PATRICK SLATTERY: It goes into providing professional development that we can access for core subjects. [LB295]

SENATOR HARR: Okay. Okay. And you said you had a letter from AFP, is that correct, Americans for Prosperity? [LB295]

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PATRICK SLATTERY: Correct. [LB295]

SENATOR HARR: And is that a 501(c)(3) or (c)(4) or do you know what kind of organization? [LB295]

PATRICK SLATTERY: I do not work for Americans for Prosperity. I do not know. [LB295]

SENATOR HARR: Okay. And you in no way are advocating what was in that letter, are you? [LB295]

PATRICK SLATTERY: I have not even read the letter. I was simply... [LB295]

SENATOR HARR: You simply just submitted it. [LB295]

PATRICK SLATTERY: ...submitted it. [LB295]

SENATOR HARR: I just wanted to make it clear. [LB295]

PATRICK SLATTERY: Yep. [LB295]

SENATOR HARR: Okay. Clarifying the record that you're not necessarily endorsing anything that's in it. [LB295]

PATRICK SLATTERY: I have not even read the letter. [LB295]

SENATOR HARR: Okay. Thank you. You talk about choice and that people should be allowed to have more choice in the product that they receive for their children. How do I draw the line where that choice comes in? And what I mean by that is I can send my kids...my siblings send their kids to private school. I have chosen to send my kids to public school and that's a choice I made and I understand that. And there's a financial cost to my siblings to do that and that's fine. So then the question becomes what is the government's role in that. I want to drive a Mercedes but it's going to cost me money. Does the government...and obviously this is the absurdly. Does the government have a duty in making sure I can drive the car of my choice? And if it doesn't, where do I draw the line of where the government has responsibility to pay for my choices? [LB295]

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PATRICK SLATTERY: I don't think the government should be able to fund everybody to drive a Mercedes, but we're not talking about a Mercedes. [LB295]

SENATOR HARR: Well, at least an American-made car. Let's do Cadillac. Okay. [LB295]

PATRICK SLATTERY: Yeah. [LB295]

SENATOR HARR: We'll make America great. [LB295]

PATRICK SLATTERY: Simple point is this bill is not asking the government to do it. This bill operates on private donations funding that need and helping families have that choice. It is not asking for the government...it's not getting into the current TEEOSA formula or the state's funding model to pay for these scholarships. [LB295]

SENATOR HARR: Well, there's nothing prevents anyone from giving to these type of organizations today, is there? It's just that they don't receive a tax credit. [LB295]

PATRICK SLATTERY: Correct, just a deduction. [LB295]

SENATOR HARR: Okay. So the government is involved because we're incentivizing this giving by forgoing collection of taxes. [LB295]

PATRICK SLATTERY: Correct. [LB295]

SENATOR HARR: Okay. Could I form the same...why wouldn't we forgo tax dollars so everyone can have a Cadillac, if they want one? I wouldn't force it upon them. Some may like a Lincoln. [LB295]

PATRICK SLATTERY: Because that doesn't make sense. [LB295]

SENATOR HARR: Why doesn't it? [LB295]

PATRICK SLATTERY: I don't think it's a fair analogy that we're making here. [LB295]

SENATOR HARR: Why is that? [LB295]

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PATRICK SLATTERY: Because not everybody deserves and needs a Cadillac. Creating venues for private donors to help scholarships which in turn is going to help strengthen the community, strengthen the economy, strengthen the education outcomes in the state is a vastly different scenario than, I agree, just giving everybody what they want and having the government pay for it. [LB295]

SENATOR HARR: And there are a lot of conclusionary statements in that, in that answer. But I'm trying to figure out as a policymaker, how do I say we should have a tax credit so that you can get...tell me what that line is, the differential between so that you can get...my child get the education they want at the place they want versus maybe the hospital care or the doctor that they want versus the car that they want? [LB295]

PATRICK SLATTERY: Sure. [LB295]

SENATOR HARR: How do I draw that differential or how do...? If someone comes in tomorrow and says I want to form one of these so that everyone can have the doctor that they want, what am I supposed to say? [LB295]

PATRICK SLATTERY: I think again, if we were talking vouchers and we were talking money that was directly taking out of that public school funding model, that argument would be a bit more pertinent. But again, going back to the fact that there are 21 credits in the state already whether we're talking, you know, the potential of credits for E-15 gasoline or windmills, you know, certainly education is a vital piece. And the outcomes, if we stop...if we start looking at the outcomes of bills like this, what peer review research has shown, the benefits far outweigh some of the small concerns that some do possess (inaudible). [LB295]

SENATOR HARR: And I let Mr. Vokal get away with that: small. Ten million dollars is not small. I bet you would love to have an additional... [LB295]

PATRICK SLATTERY: In the scheme of the whole budget? [LB295]

SENATOR HARR: ...\$10 million. That's a lot of money. I could probably live the rest of my life on that \$10 million, to be honest, possibly. So it's not a small amount of money. And we're forgoing, right? And we do fiscal notes. And the way we do things is forgoing is \$10 million. It's the same as if we expend \$10 million because it's \$10 million less we have to help people who need help in social services, it's \$10 million we have less to fund our public schools, it's \$10 million we have less to fix our Corrections problem, it's \$10 million less we have for mental health. We do a lot more than just make roads. [LB295]

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PATRICK SLATTERY: Sure. [LB295]

SENATOR HARR: We do a nice job though, thanks to Senator Smith and Senator Friesen's work on that. But we do more than that. And when we forgo it that's money we can't spend. And so it is a fiscal cost to us. And I'm going to need a little convincing. I understand what you're saying, there are greater outcomes and I'd love to see those studies. I've heard there are studies out there. I've never been presented with them. So I look forward to hearing what that is and helping me as a policymaker decide where that line is. Where do I decide what's okay to forgo and when is it not. So if you can answer that, that's great. Otherwise, I look forward to (inaudible). [LB295]

PATRICK SLATTERY: No, I understand. And if I lined up the 10,000 families that wouldn't be in our schools right now without scholarships and we said what's more important to them, \$10 million dollars or their children's future, I think that would make this a little more human of an issue. I respect and understand the question that you're asking. [LB295]

SENATOR HARR: But I'm not eliminating their choice. They can still go. I'm not stopping them from going to your schools. You're stopping them because they're not paying tuition. [LB295]

PATRICK SLATTERY: There are thousands...in my opinion, there are thousands of families that if they had additional access to scholarship dollars would have an option, would have that ability to choose. And that is at the premise of the argument here is that a parent should be afforded the right to choose the best form of education for their child, state approved by the Department of Education. [LB295]

SENATOR HARR: Your opinion. Okay. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Groene. [LB295]

SENATOR GROENE: Thank you, Senator Friesen. Have you read our State Constitution? [LB295]

PATRICK SLATTERY: I have not. [LB295]

SENATOR GROENE: Well, it doesn't say anything in there that you have a right to a free Mercedes. [LB295]

PATRICK SLATTERY: Correct. [LB295]

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SENATOR GROENE: But it does say every child has a right to free instruction in our common schools. Now what your definition of common schools is, is your school is just as common as the public one I would believe. But anyway, competition, have you ever...do you have a problem if one of your schools is near a public school, that you don't get along with the other school, have you also seen maybe that the competition there has risen, the level of education in both? [LB295]

PATRICK SLATTERY: Competition works in nearly every industry that I've seen, and yet we don't engage in it as much in education. I'm a very competitive person and I do believe in the benefits of competition. [LB295]

SENATOR GROENE: Have ever had a feud with an administration from a local public school that you were stealing kids or are you...do you work together? [LB295]

PATRICK SLATTERY: Honestly that debate usually comes from the higher-ups. We have a fantastic working relationship with our area districts and there's some testimony that's going to follow me to elaborate upon that point. [LB295]

SENATOR GROENE: The people who get their hands dirty in education seem to get along? [LB295]

PATRICK SLATTERY: Because we're all in the same end game, have the same end outcomes about helping Nebraska families. [LB295]

SENATOR GROENE: Could you tell me what your average tuition cost is? [LB295]

PATRICK SLATTERY: What is charged in our metro area is probably around \$2,900. Our actual cost to operate is closer to \$6,500. So therefore, there's folks like me and many others that are out there looking to raise money to cover the difference. On the high school side, tuition these days is anywhere from \$10,000 to \$12,000 with the actual cost to operate probably about \$2,000 higher (inaudible). [LB295]

SENATOR GROENE: That leads me to my other question. I'm sure you have individuals who donate money to the... [LB295]

PATRICK SLATTERY: Absolutely. [LB295]

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SENATOR GROENE: ...to your schools. How is that handled? Is it set up into a scholarship or does it just go directly into the operations of the schools? [LB295]

PATRICK SLATTERY: Quite often it goes straight into the operations. Every now and then there may be restricted gifts. Somebody did ask a question earlier about whether somebody could designate the recipient. That's illegal by our IRS regulations and our families know that, our schools know that. [LB295]

SENATOR GROENE: So you just lower the tuition for everyone. [LB295]

PATRICK SLATTERY: There is not a single...not a single student out of that 20,000 that pays the actual cost to operate our schools, not one. [LB295]

SENATOR GROENE: But you don't differentiate. It's \$2,900 for... [LB295]

PATRICK SLATTERY: Correct. [LB295]

SENATOR GROENE: You don't ask income. [LB295]

PATRICK SLATTERY: Correct. [LB295]

SENATOR GROENE: You just show up at my door... [LB295]

PATRICK SLATTERY: Yep, correct. [LB295]

SENATOR GROENE: And there's this...I keep hearing because I'm the Chair of the Education Committee that private schools pick winners and losers. If you've got a handicapped child, a family comes and has three healthy children, one handicapped, they wink and nod and say, why don't you go to the public school with your handicapped child. Has that ever happened? [LB295]

PATRICK SLATTERY: It has happened on occasion, but this is a point I want to stress tremendously because a lot of folks do want to paint a picture that our private schools purposely turn students away. It is in our mission to serve all students. And we will do our best to try and reach that and I have testimony coming up behind me to validate that. I was asked two years ago about that student that has two full-time aides and \$100,000 worth of staff supporting them and asking would we be able to support that student on \$2,900. On \$2,900, no, I could not give that

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student what they need. There are states that have created legislation to steer even larger amounts of scholarship dollars, tax credit scholarship dollars to private schools to create the staffing to allow that to happen. Our schools absolutely want to serve all students. Again, there are...on small, small occasions sometimes where we do not have the funding to have the staff to support the needs. [LB295]

SENATOR GROENE: But you do have a special education program, or you just blend every (inaudible). [LB295]

PATRICK SLATTERY: Every single one of our schools is accepting students with IEPs, with learning differences. Again, we're going to have some testimony that's going to shed light on the relationship in the Archdiocese and even how we have public school districts reaching out to us to help support their students. [LB295]

SENATOR GROENE: So would you assume then when the people of Nebraska put in our State Constitution we should have free instruction for our children in common schools, the end game is an education, not a competition between government and private? [LB295]

PATRICK SLATTERY: Correct. I go back to the Department of Education itself saying all hands on deck. We need to do this. And here you have 37,000 private school students in 230-plus schools that are here before you saying yes, we want to be a part of that, public, private, all everybody together trying to help educate the youth of Nebraska. [LB295]

SENATOR GROENE: Thank you, sir. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. Senator Brasch. [LB295]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, Mr. Slattery, for coming forward today. I have personally seen wonderful outcomes from private schools, parochial, Christian, other, and public schools. And what truly does concern me, and the point is made, is this the right time for an additional tax credit? So if we take, we give, or if we have to give, we have to take. And that's a difficult decision I think by this body to be made. And what I'm hearing and you can tell me, so all of these schools probably have a foundation or one foundation that a person could get a tax deduction by contributing to that foundation of a school, is that tax deductible or is it a tax...? [LB295]

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PATRICK SLATTERY: Really not a foundation, most schools it's through Sunday parish collection that will come in and that's the standard deduction that any donor to a nonprofit could claim. [LB295]

SENATOR BRASCH: I know in Blair they have a foundation. I have talked to so many public schools have started foundations to help pay for the facilities that...and items that tax dollars do not cover. But you're saying that private schools or parochial schools cannot form a foundation? I believe the one in West Point had a foundation at one point. [LB295]

PATRICK SLATTERY: Schools may use that terminology. [LB295]

SENATOR BRASCH: Okay. And so could an entity, say this does not pass, the worst case scenario, couldn't an individual or a corporation or a business make a donation to the foundation that would be tax deductible? [LB295]

PATRICK SLATTERY: We live in an extremely generous state and right now our 70 schools are supported by probably more than \$100 million in those donations already. So it's not a matter of us doing a better job going out there and trying to bring in more donations. What other states have seen, we're going to hear some testimony about Iowa, is that credit does create an incentive for additional dollars above and beyond the \$100-plus million that we are using already to subsidize the cost of our schools. [LB295]

SENATOR BRASCH: Okay. And then the other is as the conversation has developed and I have heard, you know, everyone is giving the public schools a great shoutout including yourself. And yet I'm hearing that there is at least 1,000 more people who want to leave and not enter the public school but come to your parochial or a private school setting. So what...why? What is the separation there? Is it teaching that theology? Is it...is that the only difference that you're believing that they would like to see a faith-based teaching institution? [LB295]

PATRICK SLATTERY: It is a significant part. I certainly can't speak on behalf of every single family but let me...and we are going to have some testimony as well. Of our nearly 700 students, I believe about 450 are Latino Hispanic families who are very deep in their Catholic faith and want a faith-based education. So it is not an indictment on the public school system. In their world, education, when we say a well-rounded education you cannot separate faith from math, reading, and science. That's why they want it. Again, not an indictment on the public system. But again, looking to have a faith-based education. [LB295]

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SENATOR BRASCH: So seeing the culture and the trend, do you think it's time we reexamine our constitution and how what we can and cannot offer? Is it driven by the public or is it driven by...it was written in stone somewhere and apparently that's not what we're feeling meets today's societal and family needs, correct? [LB295]

PATRICK SLATTERY: And I'm sure there are folks out there that would love to see that. But certainly, rewriting the constitution we know all the inherent challenges in that. And that's why I personally view this as one of the most flexible forms of choice because again it's putting the onus on private donors to fund those scholarships, not the state, not the government. [LB295]

SENATOR BRASCH: All right. And I do understand the value. I'm not trying to take away from what you're doing because I'm very impressed with what our private schools, their operating costs. They're...you know, the teaching there is valuable. We are at a time in our budget and in our state... [LB295]

PATRICK SLATTERY: Understood. [LB295]

SENATOR BRASCH: ...and families' budgets where it would be very difficult to bring in another incentive. But thank you for your...yes. [LB295]

PATRICK SLATTERY: Appreciate it. And I would just...I understand the fiscal note and we've already heard the testimony. [LB295]

SENATOR BRASCH: Yes, we have. [LB295]

PATRICK SLATTERY: But I also look at all the research that does show that states actually save money on the back end of this. [LB295]

SENATOR BRASCH: And that's what I'm reading with great interest because saving money is a priority where you have very little to spend. So thank you so much. [LB295]

SENATOR FRIESEN: Thank you, Senator Brasch. Senator Schumacher, I know you've been patiently waiting. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you for your testimony today, Mr. Slattery. I think you've said it three times now and I'm still trying to make sure that I'm right in...that I'm hearing you right, that this is funded entirely through private donations. [LB295]

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PATRICK SLATTERY: Correct. [LB295]

SENATOR SCHUMACHER: Okay. Do you understand how tax credits work? [LB295]

PATRICK SLATTERY: I understand the argument on the other side, that if the state is losing revenue that folks will... [LB295]

SENATOR SCHUMACHER: Well, the state is really reimbursing those donations because on April 15 when the taxpayer writes that check, he gets to get back that donation. So this is...and this is 100 percent credit, not a 20 percent. I don't even know if there's anything else in our tax code in Nebraska that allows for a 100 percent credit. If there is, it don't come to mind right now. So this is really state-funded donations, 100 percent. Now, have you thought about what impact this is going to have on your other donations because if I'm going to give you \$1,000 toward a parochial school and I do that now and this program comes along, I'm going to stop making that contribution because I don't get near the bang for the buck. I surely don't get 100 percent reimbursement. And I'm going to take that same amount of money and put it into this program and stick the state of Nebraska for it. So what impact is that going to have on decreasing your normal revenues? [LB295]

PATRICK SLATTERY: Sure it could. Sure it could. But at the end of the day I'm going to repeat the same thing I said before, this isn't about the Catholic school. This is about the kids and the families. [LB295]

SENATOR SCHUMACHER: Well, whatever but we're still looking at, I mean you've got to still float your boat. [LB295]

PATRICK SLATTERY: Yeah. [LB295]

SENATOR SCHUMACHER: So have you done an analysis of how that's going to impact you and your ability to do what you're doing now? [LB295]

PATRICK SLATTERY: There is minimal research out there. It is an area I have explored with other states that have put these bill into play. With a large part of my responsibility being out with development and fund-raising, at the end of the day people give to people. And so I'm a pretty well adept at the fund-raising landscape. Not overly concerned with it, but yes, it is a legitimate concern. But at the same time, if this helps families that's the most important thing. This is not about helping Catholic schools or saving Lutheran schools or Jewish schools. This is about the family. [LB295]

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SENATOR SCHUMACHER: This doesn't even have to be a Catholic or a Lutheran school. [LB295]

PATRICK SLATTERY: Correct, correct. [LB295]

SENATOR SCHUMACHER: This could be an agnostic school. [LB295]

PATRICK SLATTERY: As long as it's accredited or approved by the state of Nebraska. [LB295]

SENATOR SCHUMACHER: Okay. And the school actually doesn't even have to be in the state, does it? Because as long as the school provides the education, there's no requirement that the education take place in the state as long as it's an eligible school. [LB295]

PATRICK SLATTERY: That would be, I think, an easy thing to have a conversation with if that needed to be an amendment. [LB295]

SENATOR SCHUMACHER: Okay. I think we're probably running short on time so I won't ask more. Thank you very much. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Harr. [LB295]

SENATOR HARR: Thank you. And I'll make these quick. And we've talked about this in the past. We're forgoing state dollars. We're starting off small but we're going to build it up--\$93 million by year 11. So we're talking real dollars now. This is no longer small. Would you be willing to take the state NeSA test to make sure that our forgone tax dollars are well spent? [LB295]

PATRICK SLATTERY: If you could prove to me that the NeSA test is the best instrument to drive teaching and learning, then we can have a conversation. [LB295]

SENATOR HARR: All right, so let me ask you this. How do I compare apples to oranges to see that my kiddos are getting a better education in a private school versus a state school? [LB295]

PATRICK SLATTERY: Rule 10 holds all private schools responsible for both criterion and norm-referenced testing. So we have the data, Senator. We have norm-referenced, nationally norm-referenced respected data that... [LB295]

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SENATOR HARR: And what is that? [LB295]

PATRICK SLATTERY: TerraNova, ACT scores which we could certainly have a conversation about publicly sharing that data. [LB295]

SENATOR HARR: Okay. So that answers my question. And then so this says a school cannot discriminate based on race, color, or national origin. Would you have a problem if we put in religion? [LB295]

PATRICK SLATTERY: Nope. [LB295]

SENATOR HARR: What about transgender? [LB295]

PATRICK SLATTERY: If transgender students abide...are willing to abide by the faith-based education they're going to receive, we don't have a problem with that. [LB295]

SENATOR HARR: And I don't know what that means. Would they be allowed to dress transgender at school? [LB295]

PATRICK SLATTERY: No. [LB295]

SENATOR HARR: Okay. What about based sexual preference? [LB295]

PATRICK SLATTERY: Once again, we have many openly gay students in our Catholic schools and it is not a problem. They're warmly received and fit in well with the community. [LB295]

SENATOR HARR: What about for employees? [LB295]

PATRICK SLATTERY: Same answer as before. The church has its First Amendment rights, which to this point in time have been respected. And again, if an employee understands what a faith-based school's mission is, it's not an issue. [LB295]

SENATOR HARR: Okay, so there was an issue at Skutt High School... [LB295]

PATRICK SLATTERY: Correct. [LB295]

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SENATOR HARR: ...which is underneath your control, or at least your Archdiocese's control, who was openly gay. And he is no longer with you, is that correct? [LB295]

PATRICK SLATTERY: Not because he was openly gay. [LB295]

SENATOR HARR: Okay. All right. So you wouldn't have a problem with an openly gay teacher? [LB295]

PATRICK SLATTERY: If they abide by the expectations the same way a white teacher, black teacher, Italian teacher would, all employees are held to the same standard of supporting church doctrine. [LB295]

SENATOR HARR: Well, and I've tried... [LB295]

PATRICK SLATTERY: So could an... [LB295]

SENATOR HARR: I've tried at times to suppress my whiteness, especially at certain times, and it's pretty hard for me to suppress. What does that mean by to abide? I can abide by my whiteness at all times, but what does that mean to abide by the school as far as for those who are openly homosexual? [LB295]

PATRICK SLATTERY: As a product yourself of Catholic education in high school, college, law school, hopefully you understand church doctrine. We are expected as employees of a Catholic institution to support church doctrine. If any employee wants to use their position to oppose church doctrine, that's going to be an issue. [LB295]

SENATOR HARR: Okay. That makes sense. [LB295]

PATRICK SLATTERY: With this topic I would just simply add though, does everybody agree with the church on that? Absolutely not. But that's the beauty of choice, let families find schools that relate to their family values, state-accredited schools that meet their family values. [LB295]

SENATOR HARR: Excellent. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Any other questions from the committee? Seeing none, thank you for your testimony, Mr. Slattery. Welcome. [LB295]

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JOE CONNOLLY: Thank you, Vice Chair Friesen, members of the Revenue Committee. I am Joe Connolly, J-o-e C-o-n-n-o-l-l-y. I'm from Panora, Iowa, and friends here in Nebraska asked me to speak on behalf of LB295. I have recently retired as the president of Saint Albert Catholic Schools in Council Bluffs Iowa and I have served on the board of directors of an Iowa school tuition organization, an organization which is very similar to the scholarship-granting organizations described in LB295. Now as an Iowan, it's an honor to speak before a committee of the Unicameral. But I have to have full disclosure. I did live in Lincoln for seven years and I did pay tuition for two daughters to a university just down the street. Also all four of my grandchildren live in Nebraska so I do have an affinity for red. LB295 is very similar to the Educational Opportunities Act promulgated in Iowa in 2006. That act passed both houses of the Iowa legislature with nearly unanimous support from both parties and was signed into law by then Democratic Governor Tom Vilsack. The first year the state made \$2.5 million in tax credits available. Over the past 11 years, the tax credits have been increased with continued bipartisan support. Currently stand at \$12 million in credits available each year. In every year since its inception, all tax credits have been exhausted in both ways, meaning that the available tax credits have been used by donors and the grants that have been available have been used by families. Currently there are 12 school tuition organizations in Iowa that represent over 150 accredited private schools. These schools are Lutheran, Catholic, Christian, secular private, and independent schools. Currently in Iowa there are 35,000 students enrolled in the accredited nonpublic schools. In the current school year, about 11,000 of those students received grants through the Iowa program. A significant number of these students and families need this assistance to attend their school of choice. The Iowa tuition tax credit program has made a tremendous difference to thousands of Iowa families. Since its inception, the program has distributed over \$100 million in student tuition grants. In the school that I led, over a third of families receive some level of assistance through these grants. I routinely heard from families that without these grants they would not be able to attend their school of choice, they would not be able to afford the tuition at their school of choice. We all know that education is not a one-size-fits-all venture. Tuition tax credit programs recognize this by extending a choice in education to families that otherwise would not have a choice. One result of this program is that our private schools have become more economically and ethnically diverse. Our private schools now serve a larger population of students who qualify for free and/or reduced lunch, which is a direct cause...a direct effect of the STO program. In Iowa, between local and state funding, nearly \$10,000 is spent on each child in Iowa public schools each year. If a child is in private school the cost is much closer to nothing. The state saves the cost of educating those students who receive an STO grant and attend nonpublic schools. The audit of the school tax credit program that Chairman Smith mentioned earlier reported the cumulative fiscal impact of the Iowa program was a taxpayer savings at least \$280 million in the first ten years. When the program began in Iowa there were concerns, probably similar to those concerns that you have heard or will hear today, concern that the program would cost taxpayers money, concern that it would impact negatively on public school funding, concern that it would impact public school enrollment. None of those concerns were

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realized from this program in Iowa. The tuition tax credit program in Iowa has saved taxpayers money. The \$12 million in tax credits each year are just a drop in the bucket of public school funding. And while private school enrollment is up by a few percentage points, there has not been wholesale migration away from public schools due to the program. In fact, roughly 6 percent of all school aged children in the state of Iowa attend private schools. It's hardly been an exodus, a mass exodus as some have predicted. Under these programs, parents are empowered to choose their child's school, children receive their best-fit education, and state saves money. In Iowa, this has been a win-win-win situation. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Mr. Connolly. Any questions from the committee? Senator Brasch. [LB295]

SENATOR BRASCH: Thank you, Mr. Chairman, and thank you for coming here to testify. Are you still currently in Iowa or you're in Nebraska? [LB295]

JOE CONNOLLY: I am still currently in Iowa. [LB295]

SENATOR BRASCH: Okay. And tell me your role there. Are you as a member of the public? [LB295]

JOE CONNOLLY: I recently retired as the president of a Catholic school in Council Bluffs. [LB295]

SENATOR BRASCH: Okay. [LB295]

JOE CONNOLLY: And I currently run, on a temporary basis, a summer church camp. [LB295]

SENATOR BRASCH: Okay. Very good. I was discussing this bill earlier with my staff. Iowa public schools are very unique, their education system. From my memory, it is unlike Nebraska's school system. Iowa is almost a standalone, like the Unicameral is, in your core curriculums or your standard curriculum. Are you familiar with that? [LB295]

JOE CONNOLLY: Yes. [LB295]

SENATOR BRASCH: And what is that called? ESSA or...do you know what I'm speaking of? [LB295]

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JOE CONNOLLY: I don't know the acronym you're speaking of. I'm sorry. [LB295]

SENATOR BRASCH: But it is unique to the nation because it's kind of a curiosity. So I...this is where I'm, at some point I guess, to take a look at why it's so unique. But when you're comparing Iowa to Nebraska, you're also talking about two separate systems, would you agree? [LB295]

JOE CONNOLLY: I would agree. [LB295]

SENATOR BRASCH: And so that's where I find it a little difficult to use the statistics and I'm familiar with Iowa's from work of mine in the past and many other states as well, they operate, Iowa is AEAs and there's BOECs and etcetera. So I'm glad to see there's a savings and maybe we need to look closer at whatever template they're using to continue saving as we will need. But you are confident with your family here that it could apply and also be of a great benefit, correct? Is that what you're telling us? [LB295]

JOE CONNOLLY: As I read LB295, you know, I felt that it would benefit families in the same way that it benefit families...the Iowa program benefited families in Iowa. Essentially, families currently in our Catholic schools and other private schools, there's a cost to attend. And because of that cost, some families make a choice when they have the funds and other families are not able to make a choice because they don't have the funds. And what I saw at least at the school I was at in Iowa is that that choice was extended to more families. [LB295]

SENATOR BRASCH: Okay. [LB295]

JOE CONNOLLY: And that's truly the testimony I'm giving today. [LB295]

SENATOR BRASCH: Very good. Thank you for your testimony and Go Big Red. [LB295]

JOE CONNOLLY: Thank you. [LB295]

SENATOR BRASCH: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Brasch. Senator Groene. [LB295]

SENATOR GROENE: Thank you, Vice Chair. How many...where are you at now in million of dollars, how much? [LB295]

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JOE CONNOLLY: Annually or cumulatively? [LB295]

SENATOR GROENE: Well, annually and... [LB295]

JOE CONNOLLY: Annually the current tax credits are at \$15 million...excuse me, at \$12 million. And there's some discussion in the legislature to move it to \$15 million. [LB295]

SENATOR GROENE: So it's capped at \$12 million a year. [LB295]

JOE CONNOLLY: Yes. [LB295]

SENATOR GROENE: But did I catch you right? It hasn't affected...it hasn't increased enrollment in the private schools? [LB295]

JOE CONNOLLY: There's been changes in enrollment in private schools and I'll speak specifically about the school I'm most familiar with, the school that I came from. And again, I've retired from there. But over the last 5.5, 6 years when I was there, the enrollment was pretty flat, had some increase. But it seemed that, and this happens in most Catholic schools, that for every family that moves to your school it seems a family moves away. So it was pretty neutral but I would say that overall at least in the numbers I looked at in Iowa over the last ten years, private school enrollment has inched up. It was about 30...I think the number I saw was 30,000 and change about 10 years ago and the number right now is just about 35,000 over 10 years. [LB295]

SENATOR GROENE: So how did you make sure that people are willing to put that into their budget, the tuition, now decide, well, I'm going to go for a scholarship? Has it just offset people who were willing to pay for the tuition for that availability of that private education? [LB295]

JOE CONNOLLY: You're talking from the family? [LB295]

SENATOR GROENE: I'm talking about as individuals. Has that \$12 million just offset tuition you were getting before, or has it all added to the enrollment? [LB295]

JOE CONNOLLY: I understand. It's been...in the school I was at it was a mixture of both. There were families that were attending our school that either weren't paying the full tuition as other families were or were getting some sort of other aid or other family members paying tuition that have had this program that has helped fund their education. There's been other families that are

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new to the school where this program funded...helped to fund their education. So it's a little of both. [LB295]

SENATOR GROENE: And the \$12 million, do you turn people away in Iowa? I mean it's used up pretty quickly. [LB295]

JOE CONNOLLY: The organization, I was on the board of directors for one of the organizations and typically by Thanksgiving...the credits go on annual basis so they're...at the end of the year is the last day. And typically by Thanksgiving we had used all of our tax credits. And most of them by the first, second week of December were. [LB295]

SENATOR GROENE: And how were they prorated between different...? [LB295]

JOE CONNOLLY: There's a formula in Iowa that's based on...each school tuition organization represents a group of schools. And depending on your school population that's how the tax credits were, if you will, divvied up between the different school tuition organizations. [LB295]

SENATOR GROENE: It was on enrollment. [LB295]

JOE CONNOLLY: Yes. [LB295]

SENATOR GROENE: So that solved that problem where one school was \$30,000... [LB295]

JOE CONNOLLY: Correct. [LB295]

SENATOR GROENE: ...and it was (inaudible). [LB295]

JOE CONNOLLY: You only have so much money...excuse me. [LB295]

SENATOR GROENE: ...and one was \$2,500 and it was per enrollment so you could spread it over more at the lower enrollment than the higher. But I don't see anything in this legislation that would do that. But I mean that can all be worked out. All right. Thank you. [LB295]

JOE CONNOLLY: I would think so. Yes. [LB295]

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SENATOR FRIESEN: Thank you, Senator Groene. Any other questions from the committee?
Senator Harr. [LB295]

SENATOR HARR: Thank you, Senator Friesen. Do you know what the median income was of
the recipients of the grants...or of the scholarships in Iowa? [LB295]

JOE CONNOLLY: I don't have the number for the state. I can give you my recollection from the
families that, you know, that we served. [LB295]

SENATOR HARR: Okay, and I'm just looking for an average... [LB295]

JOE CONNOLLY: That information would be available if we could find it. [LB295]

SENATOR HARR: ...because your school could be richer on the top or the bottom end, so it
might skew the number a little. So I'll look forward to that. And I'm kind of following up on
what Senator Groene asked. So let's say tuition is \$10,000 a year, and I don't know the answer to
this up front, tuition is \$10,000 a year and I receive from the school because I am of moderate
income, making \$12,000 a year, \$5,000 scholarship from the school. I then apply for this grant
or this scholarship. Does that scholarship money go to the \$5,000 that I owe or does it go to
eliminating me from \$10,000 to \$5,000? So let's say that grant was \$5,000. How is that applied, I
guess, is my question? [LB295]

JOE CONNOLLY: In your scenario... [LB295]

SENATOR HARR: Again, I make very little money. Tuition is \$10,000. There's a metrics I
assume you guys had based on income and based on number of students, how much tuition costs,
is that correct? [LB295]

JOE CONNOLLY: Yes. [LB295]

SENATOR HARR: Okay. So let's say based on that little metrics that you have, tuition, you
would only charge me \$5,000. [LB295]

JOE CONNOLLY: Yes. [LB295]

SENATOR HARR: I now apply...now this is the Iowa plan and I'm not sure how it's going to
work in Nebraska. But I apply for this scholarship fund here. Does that \$5,000 go to the school

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so that I still owe \$5,000 or does it go to me to which I give to the school in which case I owe \$0. [LB295]

JOE CONNOLLY: The latter. [LB295]

SENATOR HARR: So I would owe \$0. [LB295]

JOE CONNOLLY: If your grant that you received was \$5,000. [LB295]

SENATOR HARR: Yeah. [LB295]

JOE CONNOLLY: Typically, just in real life, typically a lot of the schools that I'm familiar with and the school that I was at, let's say the tuition was really \$4,000 and that through school sources, through school sources we were able to provide some sort of a scholarship from the school of \$1,000 and you owed \$3,000 and you applied for a grant and the grant would probably be about \$2,000. And that would make the bill that you eventually have to pay \$1,000. [LB295]

SENATOR HARR: Okay. [LB295]

JOE CONNOLLY: Does that make sense if we look at it that way? [LB295]

SENATOR HARR: That makes sense. So let's follow your scenario for a second. I make \$12,000 a year, public record. Does that \$2,000, that grant that I received, when you're trying to figure out on that matrix does my income become \$14,000 or does it stay at \$12,000? [LB295]

JOE CONNOLLY: Stays at \$12,000. [LB295]

SENATOR HARR: Okay. [LB295]

JOE CONNOLLY: And actually the program that we utilized, I don't know if you have children in college, if you're familiar with FAFSA. [LB295]

SENATOR HARR: Yes. [LB295]

JOE CONNOLLY: It was...your application was a similar application to that, maybe the junior varsity version, a little less complicated. But it takes into account your income, takes into

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account your debt, takes into account any wealth that you've accumulated and comes up with a factor that was then applied to the bulk of the scholarship that we had to determine what your need was and determine how much of a scholarship you should receive. [LB295]

SENATOR HARR: And I believe you said you sit on one of these foundations that give this money away. [LB295]

JOE CONNOLLY: It's a school tuition organization. It's, yes, one of those. [LB295]

SENATOR HARR: And so how do you determine, is it just straight highest need versus lowest needs or how do you determine what students get how much and where it goes to? [LB295]

JOE CONNOLLY: It's strictly based on their application and their need, the need that's illustrated through their grant application. [LB295]

SENATOR HARR: Okay. So higher needs kids get it before lower. So if I make \$12,000 versus someone making \$90,000, the \$12,000 would get it first. [LB295]

JOE CONNOLLY: That's correct. And the other thing that's important is in those, the organization that I was in, there were questions about can it be directed and to who? None of that information is contained at all in the formula. It's strictly a financial transaction. [LB295]

SENATOR HARR: Okay. And was that unique to yours or was that in the statute in Iowa, that it goes to higher needs students? [LB295]

JOE CONNOLLY: It's in the statute in Iowa, I believe. [LB295]

SENATOR HARR: I don't see that in here. Do you think that would be a good addition here? [LB295]

JOE CONNOLLY: I'm not a taxpayer in Nebraska. [LB295]

SENATOR HARR: Which, by the way, we have a lower tax rate so you should come to Nebraska and you have grandkids here and that's what I hear is all that matters. [LB295]

JOE CONNOLLY: Actually I did pay sales tax at Runza on the way in. (Laughter) So maybe I'm a taxpayer. [LB295]

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SENATOR HARR: Please feel free to buy some gas. Thank you. All right. Well, thanks for coming. I appreciate it. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen, and thank you, Mr. Connolly, for coming here today. A couple of quick questions on the Iowa program. [LB295]

JOE CONNOLLY: Yes. [LB295]

SENATOR SCHUMACHER: I think you said it was \$12 million a year. [LB295]

JOE CONNOLLY: Yes, it is. That's the current amount. [LB295]

SENATOR SCHUMACHER: Okay. Is that what it started out to be? [LB295]

JOE CONNOLLY: No, it started out at \$2.5 million and I don't have it memorized, the history, but over the ten years it went from \$2.5 million and stairstepped up to where it's \$12 million. And it's...there's discussion currently in this year's legislature about increasing it to \$15 million. [LB295]

SENATOR SCHUMACHER: Okay. A far less rate of increase than what we would be looking at here. [LB295]

JOE CONNOLLY: Less than what I saw when I read LB295. [LB295]

SENATOR SCHUMACHER: Okay. But with that \$12 million, basically I think you said that it did not cause any wholesale migration out of the public schools. [LB295]

JOE CONNOLLY: It certainly didn't seem to. [LB295]

SENATOR SCHUMACHER: Okay. Thank you very much. [LB295]

JOE CONNOLLY: And just as a note, and the number that I looked up is that 6 percent of school aged students in the state of Iowa go to nonpublic schools. And so that's a pretty small

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percentage when you take a step back and look at it. It amounts for about 35,000 children. [LB295]

SENATOR SCHUMACHER: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Groene. [LB295]

SENATOR GROENE: Quick question. So in Iowa, some young person goes and wants to go to Catholic parochial school. Dad says, no way. And you come up with he...you can give him \$3,000 but he owes \$2,000. Mom and Dad said no way but if you want to go to that school you can go. Turn that kid away because he can't come up with \$2,000? [LB295]

JOE CONNOLLY: In the school that I was at, we had a pretty solid culture that nobody goes for free. And it comes from an understanding that free has no value. And so the approach we took is that if a family was willing to work with us and make a contribution to their tuition that was based on their ability to give, we would not turn them away and we would have students in many of the schools, public...or excuse me, private schools in Nebraska will tell the same story, that we had ways for students or families to work for the school, you know to help that to receive a small sum from the school that applied to their tuition. So our approach was if a family is willing to work with us and make some contribution, we would figure it out and help them. [LB295]

SENATOR GROENE: In Iowa--one more quick question--what percentage of all students go to public and what percentage are...? [LB295]

JOE CONNOLLY: In Iowa, the number that I saw was 6 percent of all school aged children go to nonpublic schools, meaning 94 percent. [LB295]

SENATOR GROENE: All right. I thought you meant 6 percent of the funding but it was 6 percent of students. All right. [LB295]

JOE CONNOLLY: No, 6 percent, 6 percent. The numbers as I see them is I think there's just about 35,000 school aged children in Iowa go to nonpublic schools. The state doesn't have an accurate count but they believe it's about 12,000 are homeschooled. [LB295]

SENATOR GROENE: I was going to say, does that include homeschooled? [LB295]

JOE CONNOLLY: Homeschool would be on top of that. [LB295]

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SENATOR GROENE: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. Any other questions? Thank you, Mr. Connolly. [LB295]

JOE CONNOLLY: You bet. [LB295]

SENATOR FRIESEN: Any other proponents wish to testify? Welcome. [LB295]

BEATRIZ ARELLANES: Good afternoon. I appreciate the opportunity to bring this testimony. My name is Beatriz Arellanes, B-e-a-t-r-i-z A-r-e-l-l-a-n-e-s. I'm working for the Archdiocese of Omaha as coordinator of Latinos school enrollment. I have been working in this position for two years. It has been a privilege to serve almost 300 families in the Archdiocese by myself personally. When I start promoting Catholic schools within the community, it was evident the absence of knowledge the parents had about the other options for the education of their children. At the same time, very often parents expressed they were okay in the school their kids were attending but something is missing there, they say. When the parents contact me, we start the process of the enrollment and visit the school or schools that better fits their needs. And the excitement start as soon as the families realize that the values and the faith we have in our schools are the same they are taught and live by at home. Then after the school year starts and almost always before the Christmas season, the parents call me just to say they are grateful for the help finding the school they were dreaming for their children. They appreciate and celebrate the opportunity to attend a school that fits their children, their families, their values, and their faith. There are many testimonies about the progress these students are having, since kindergarten to high school. These kids are having a great performance in grade school in much better rates in the ACT than same group of students in other schools. On the other hand, it has been overwhelming to see the great sacrifices these parents make every day. The annual income of these families are below \$40,000. They are part of the rate of 26 percent of families in range of poverty. Most of the families qualify for reduced or free lunch. I was the only one doing this job serving as a bridge between these parents and our schools. The year 2015 was the beginning and we enrolled more than 260 new Latino students. This school year, 2016, we coenrolled more than 200 new Latino students again. It means more than 200 families. The demand has been huge. At the point I wasn't able to answer all the phone calls and talk with all the families that come to the office to ask for information and for help. The demand will grow since more and more parents know now that the piece they were missing in the other schools, they have it in Catholic school because they found the value and the faith that correspond to the culture. The legislation, LB295, the Opportunity Scholarships Act will empower parents to provide the education they want for their children. This is a matter of the right of the parents to choose a school their children will attend and being able to afford it. This is a matter of the good

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investment in the future leaders, workers, and the citizens that this country deserves. Thank you. [LB295]

SENATOR FRIESEN: Thank you. Any questions from the committee? Seeing none, thank you for your testimony. [LB295]

BEATRIZ ARELLANES: Thank you. [LB295]

SENATOR FRIESEN: Are there any other proponents wish to testify? Welcome. [LB295]

JAYLEESHA COOPER: Good afternoon, everyone. My name is Jayleesha Cooper, J-a-y-l-e-e-s-h-a C-o-o-p-e-r, and I am in the 8th grade. I'm currently enrolled at Holy Name Catholic School, but my education was not always at private schools. I attended public schools from prekindergarten through 2nd grade. Although my public school experience offered many positives, it was not the best fit for me. I was not reaching my full potential and my mom recognized this. As a result, she started searching for alternative school options. My mom decided to enroll me in the Holy Name Catholic School for many different reasons, first, because she loved the sense of community. The small class sizes gave me the ability to get to know others easily. The size of classes also has given each teacher the chance to get to know their students on a personal level. Another reason my mom chose private school for my brother and me was so that we could learn more about our faith and grow closer to God. She believed this would help us in becoming well-rounded students. As great as this may sound, it was a hard journey to get us into private schools. Originally my mom had to work two jobs to support my brother and me while paying tuition. Luckily my family eventually got awarded financial assistance to help cover the cost of tuition. However, the assistance was not a handout. To show her gratitude, my mother was very active with school activities such as parent board and volunteering opportunities. Of course you may be thinking, you were able to get into private school so why does Nebraska need opportunity scholarships? There are many kids just like me who want to find a school that is a better fit for them, but they aren't able to go to the private school options because they don't have enough funds. If opportunity scholarships were a reality, more parents would feel like they had a choice on what is best for their child and they would feel like they have the same options as everyone else despite not having the same amount of money. Going to Holy Name has helped me to feel more confident about being able to achieve my dreams. I plan on being a lawyer and whenever I have a doubt about anything, there's always someone who is willing to talk to me at school. The teachers are so encouraging and involved in each student's individual needs, wants, and goals. If there is something that you think will help push you to achieve more in school, our school has no problem finding that resource for you. I'm currently also enrolled at Roncalli Catholic High School as a math student because my school recognized I needed more of a challenge in math. No one is ever pressed and we are encouraged to let our

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ability shine to the fullest. I never feel like I can't be myself and no one ever judges me for the way I am. Everyone loves me for me at Holy Name. This fall, I plan to attend Duchesne Academy of the Sacred Heart with the help of many people. It will take lots of people's time and financial donations to help me go there and I appreciate it all. I have a cousin who is in public school and wants to go to Duchesne, but there aren't enough funds to allow that many people to go on scholarship. If we had opportunity scholarships, then more kids would be able to choose a school that is best for them. They wouldn't feel like they are being forced to go to certain schools because their parents don't make enough money to provide options. They would feel like they are equal to everyone else and that their wants and beliefs are being respected. Many Nebraskan families can afford to send their child to whatever school they please, but put yourself in the shoes of other parents. What if I was your daughter and you recognized I was capable of accomplishing more than my school was capable of offering? How would you feel if you knew the solution to a problem but didn't have the means to make change happen? How would you feel if your child cried and cried because they knew other options were available but they could never afford these options. How would you feel? Think about it. Nebraska has many parents and children who know there are different options but don't have a choice because of limited resources. What if you were them? Knowing you were doing the best you could but still hearing your child cry because your best could not give them the best environment to fit their personal needs. People can deal with not getting accepted into a school, but they shouldn't have to deal with not having a voice of choice in schooling because of a lack of funds. Education is too important and we need to let parents choose what is best for kids like me. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Ms. Cooper. Any questions from the committee? Senator Harr. [LB295]

SENATOR HARR: Yours was the best testimony so far. (Laughter) They should have started and stopped with you. Thank you very much. Thanks for coming down. I appreciate it. [LB295]

JAYLEESHA COOPER: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Groene. [LB295]

SENATOR GROENE: Thank you. Young lady, your education, does it belong to you or your parents or to the government? [LB295]

JAYLEESHA COOPER: It belongs to me, sir. [LB295]

SENATOR GROENE: So you get one shot at life, don't you, in education? [LB295]

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JAYLEESHA COOPER: Yes, sir. [LB295]

SENATOR GROENE: Do you think some government officials should treat you like one of many that needs to be told where to go for your education? [LB295]

JAYLEESHA COOPER: No, sir, I do not. [LB295]

SENATOR GROENE: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Groene. Any other questions from the committee? Thank you, Ms. Cooper. I think you're going to be successful no matter where you go. [LB295]

JAYLEESHA COOPER: Thank you. [LB295]

SENATOR FRIESEN: Any other proponents wish to testify? Please hold down the noise, please. [LB295]

PEG CARNEY: That's a tough act to follow. Hello. My name is Peg Carney, P-e-g C-a-r-n-e-y. I am the principal of Madonna School in Omaha. It's a school serving students with special needs, a Catholic school serving students with special needs. So good afternoon, Senators. On behalf of the community of students and parents we serve at Madonna School in Omaha, let me thank you for your service to the state of Nebraska. We appreciate your leadership in the work that can often be thankless and yet is so necessary, especially for vulnerable citizens such as those with intellectual and developmental disabilities whom we serve at Madonna. Madonna School was founded in 1960 by a Sister of Mercy, Sister Mary Evangeline Randolph who was presented with two special-needs students from what was then the Saint James Orphanage. Word spread that Sister Evangeline who had a master's degree in special education was teaching these students, and before she knew it, she had a couple dozen students from throughout the city. Madonna School was born as the original special education program in our fair city. In 1983, Sister Evangeline answered the request of parents by launching the Madonna Workshop where adult graduates and other adults with intellectual and development disabilities can know the dignity and self-worth that come from a daily job and a regular paycheck. That mission continues to this day as Madonna Community-Based Services. In 2008, we launched Madonna Life Skills Transition Program for students ages 18-21, and in 2011, Madonna Employment Services. These two programs enable us to be unique as a one-stop shop for people of all ages who have intellectual and developmental disabilities and we empower them to maximize their independence through employment and independent living. Across our four programs, Madonna faculty and staff serve some 130 individuals and their families. We are not the biggest, but we

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believe we make a significant and highly valued contribution to our local community. It is sometimes said that Catholic and private schools do not serve children with special needs and we're living proof to the contrary. And again, we note that historically we are the first full special education program in Omaha. As we have grown through the years, we partner with public school districts in a number of ways. Most significantly, there are currently five public school districts that contract with us for special education services for students they send to us. The list includes Springfield Platteview, Gretna, Yutan, Bennington, and also Boyer Valley Schools in Iowa. Other districts such as Blair have also contracted with us in the recent past. In short, we are a school with the unique approach to special education. Parents and school districts alike find us to be a needed alternative that complements public education. We have a great appreciation for what our fellow educators do in public school special education programs. We believe the record reflects that our partners respect what we do as well. The Opportunity Scholarship initiative under consideration will empower families to access more fully the private-public partnership that is Madonna school and all its services. We seek to serve everyone we can. Because the cost to educate each student is much higher than the tuition we charge, it is fair to say that all Madonna students are on scholarship. A third of our families qualify for free or reduced cost lunches. Opportunity scholarships would remove barriers for even more families who otherwise wouldn't consider nonpublic school options. Yes, nonpublic schools serve students with special needs. Yes, we partner with and complement public school programs, and yes, the families we serve would benefit from more choice. So please join us in saying yes to opportunity scholarships. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Ms. Carney. Any questions from the committee? Senator Harr. [LB295]

SENATOR HARR: Thank you. Madonna was my in district until it was redistricted out. So I'm aware of what you guys do and it's wonderful work. [LB295]

PEG CARNEY: Thank you. [LB295]

SENATOR HARR: Thanks for all that you do. Thanks for coming down here today. [LB295]

PEG CARNEY: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Any other questions from the committee? Seeing none, thank you for your testimony. [LB295]

PEG CARNEY: Thank you. Thank you all. [LB295]

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SENATOR FRIESEN: Could I have a show of hands of how many more proponents there are that wish to testify? Okay. Thank you. Welcome. [LB295]

DAVE GEIDEL: (Exhibits 5 and 6) Senator Friesen and members of the committee, my name is Dave Geidel, G-e-i-d-e-l. I'm currently serving as the Interim Principal at Trinity Lutheran School here in Lincoln. I've been in education for 45 years, in those years been blessed to be in Minnesota, Colorado, Florida and now here in Nebraska. I'm here to speak in support of LB295 and maybe share a few experiences in Florida and school choice, how it worked for us in our school. Our thanks to Senator Smith for introducing the bill. The term Opportunity Scholarship appeared and I think that's very appropriate word. It gives families an opportunity, especially single parents, who cannot afford the choice to a faith-based education. And this bill addresses that need and puts parents in charge of their child's education. The Step Up For Students Scholarship in Florida is based on financial need and has grown each year as parents see the value of selecting a school that will best meet the individual needs of the child. When parents first inquired into our school, we wanted to make sure that it was a good fit. And so we would share with them our mission statement, our philosophy, gave them a tour of the school. And also if their child had special needs, we would need to see the documentation for those needs because we wanted to make sure we were able to meet the child's needs and we had the staff and the resources to meet their needs. Some personal stories about children who benefited from the School Choice that were in our school are a 4th grade girl who came to our school. Her grandmother was sharing at work one day with a coworker about how her granddaughter wasn't doing very well. And so this parent happened...this coworker happened to be a parent that went to our...had a child in our school, so she recommended that they check us out. She came over. We enrolled her and our teachers had been trained in RTI, response to intervention. And they were able to help the girl make accommodations in the classroom but also they were able to diagnose certain specific skills that she was lacking. And so they could give that information to our special education teacher so that the special education teacher could work with her one-on-one. The student's confidence and academic skills grew and by 6th grade she was mastering a lot of the math lessons as well as her reading and language skills improved. Her growth and confidence was the most thing to see...the most joy for all of us. Florida also has a McKay Scholarship which provides funding for students who have special needs who have an IEP. Again, we would make sure that we had all the documentation, then we had a child study team look at it, make sure we have the staff and resources to meet the child's needs. We did service students with ADHD, Asperger's, Autism, speech needs, and other special needs, too, in our school. A father who was a special education teacher in Hillsborough County was a graduate of our school. After reviewing his son's IEP, the child study team did not feel that we could meet his needs. However, he and his wife, who was also a graduate of our school insisted that we enroll Zachary (phonetic), so we did. And through the years he has blossomed and done well. He was in the mainstream classroom. Accommodations were made for there. And the McKay Scholarship afforded the parents to use that money and we had a special ed person on our site. She was not

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employed by our school, but we provided a space for her and she would come by several times a week and provide services for the student. She also serviced some of our other students too. And then several of our retired teachers tutored after school and McKay funds were available for that tutoring as well. Our school is accountable for the progress of our students and we had to submit our Stanford Achievement Test every year. The school choice program allowed our school population to become more diverse, benefiting not only the students who received the scholarship but also those students whose parents could afford tuition. Our school became more reflective of the general population that was in our community. My experience reflected that all educators whether public, charter, private, or parochial, were all there to serve students and their families. The education climate there was not we versus them. Faith-based schools felt supported and respected by the public school educators where we lived and worked. We viewed each other as friends and colleagues with the same objective of making a difference in the lives of children. We're just completing a thorough self-study right now at Trinity for accreditation. It includes seven different areas: governance, leadership, student learning, and services. It's very comprehensive and evidence-based self-study. A psych visitation team will be on our campus in a couple of months to verify our self-study, ask questions of the parents, the teachers, and school board. We believe that we are worthy of being respected as a strong academics program with a faith-based environment and climate. We have empty seats right now and we'd love to have students sitting in them. We do offer tuition assistance to 16 families representing 24 students, but our resources are limited. LB295 would allow parents who do not have the financial resources to be in charge of their child's education, select the school that they feel would best fit their child's individual needs. Thank you for considering this bill and thank you for your time today. [LB295]

SENATOR FRIESEN: Thank you, Mr. Geidel. Any questions from the committee? Seeing none, thank you for your testimony. Welcome. [LB295]

KATIE LINEHAN: Good afternoon, Vice Chair Friesen and members of the Revenue Committee. My name is Katie Linehan and I didn't plan on testifying but some questions came up about data and I thought I would get up here and try to address based on what I know. But I'll make a quick statement. The most important thing is that a child receive an education and if a family chooses to attend a private school and the student receives a better education, it is in that child, that family, and our state's best interest. Nebraska currently has roughly 307,000 students in public schools and we spend almost \$12,000 per student. So that comes to \$3,684,000,000, give or take. So \$3,684,000,000. The difference that comes and how the state eventually saves money on this is they give up revenue, true, \$10 million is the limit. But then those students are no longer costing the state \$12,000 a year. And so that reduces the cost of state funding and eventually property taxes are also impacted by that reduction. Senator Harr asked about the NeSA test. I'll say that in Nebraska we set our own standards. So we could say 80 percent of the students are proficient in math and reading and New York might say 30 percent are based on the

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same results. So I like to talk about the NAEP standards; that's the National Assessment for Educational Progress. In Nebraska, 8th graders statewide, 38 percent are proficient in reading and 38 percent are proficient in math; 4th graders, 40 percent are proficient in reading, 46 percent are proficient in math. I'm from Omaha. I went to a public school a little bit west of 72nd Street but I actually went to high school at Duchesne, so I appreciated the testimony from a future Duchesne student. And for those of you who don't know, Duchesne is east of 72nd Street. It's at 38th and California. Surrounding Duchesne High School are several very low-performing public schools. And of all the public schools east of 72nd Street in Omaha, two out of three have math and reading proficiency levels below 25 percent. The exceptions are...and I believe, Senator Harr, Dundee is in your district. So that's an exception and then the other exception is in Aksarben. Sacred Heart Elementary School which is in an area of north Omaha that has had a lot of violence, a great amount of poverty, and has some of the lowest performing schools in the state, that school, Sacred Heart has had 100 hundred percent of the students go on to graduate from high school in the last 11 years. This is according to a story I saw on the news last year, so I assume that they're still doing much better than 10 percent proficiency which is not too far off the average of public schools in that area. And in terms of the equity issue, going back to NAEP, Nebraska has some of the largest gaps between white student achievement and black student achievement. So I just want to get those numbers into the record about what our proficiency levels are, especially in some of the areas in Nebraska that have struggling schools and as Superintendent Slattery said before me, they have really great outcomes and I can speak to Sacred Heart but also in other schools in those areas of town. So that's all I have to say. [LB295]

SENATOR FRIESEN: Thank you for your testimony. Any questions from the committee?
[LB295]

KATIE LINEHAN: I'm sorry. The name is spelled Linehan, L-i-n-e-h-a-n, and Katie is K-a-t-i-e.
[LB295]

SENATOR FRIESEN: Thank you, Ms. Linehan. [LB295]

MICHAEL McHALE: Good afternoon, Mr. Vice Chairman, members of the committee. My name is Michael McHale, M-i-c-h-a-e-l M-c-H-a-l-e and I am the general counsel and policy analyst for the Nebraska Catholic Conference. And we submitted written testimony in order to be respectful of your time, but I wanted to present myself to discuss any of these legal questions and to take any questions to the extent I can. I'm not a tax lawyer but I have an opinion about how to read that language in the bill. And I'll just make two points to open it up quickly. With regard to whether a tax credit is state spending, again I'm not a tax lawyer, but the United States Supreme Court ruled on a very similar program in Arizona in 2011, Arizona Christian (School) Tuition Organization v. Winn. And the question was whether there was a violation of the

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separation of church and state when you have a program like this. And the Supreme Court said we're not even going to get to the question because a tax credit scholarship is private money. So we're not even going to get to the question. That was a five-person opinion at the end of the day. So that's our understanding of the bill. Not only is it legal, but that the tax credit is, as a legal matter, private funding. Now maybe we disagree, but that's what we're working from is that opinion in the Supreme Court. And then with regard to student eligibility we can go over this. But whether a student can go into public...go into private school and then jump out and then go back...or to public jump out and go back. I'm not sure if I understood your question, but my understanding of the bill is you can't go in and out, in and out. And that's based on the language in Page 3. And I think the Catholic Conference is very open to putting a limit on the aggregate credit allowed: \$10 million with an automatic 25 percent increase is a lot to start with. And we're very open to putting a limit on that so we're not talking about \$70 million, you know, in the next six or seven years. With that, I'd be happy to take any of your questions. [LB295]

SENATOR FRIESEN: Thank you, Mr. McHale. Any questions from the committee? Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you, Mr. McHale, for your testimony today. Just a few items. In reading through the requirements, you may not be able to go in and out, in and out, but you can go out and in. [LB295]

MICHAEL McHALE: And what language are you looking at? [LB295]

SENATOR SCHUMACHER: I'm looking at page 3, line 7. There's nothing stopping you from leaving and coming back in for that first time. [LB295]

MICHAEL McHALE: But first time means first time, does it not? [LB295]

SENATOR SCHUMACHER: No, it says...I mean read (b)(i). [LB295]

MICHAEL McHALE: Right. [LB295]

SENATOR SCHUMACHER: So you're receiving it for a first time. Obviously everybody would be first time. It never existed before. And is entering kindergarten or ninth grade in a qualified school or transferring from a public school to a qualified school--that's an "or"--and is entering K-12. So I leave for two months and I come back in and I'm good to go. [LB295]

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MICHAEL McHALE: I guess I'm not reading the language the same way. Is receiving an education scholarship for the first time, and then you go to (A). [LB295]

SENATOR SCHUMACHER: All right. [LB295]

MICHAEL McHALE: Entering kindergarten or ninth grade in a qualified school, or (B)... [LB295]

SENATOR SCHUMACHER: Okay. [LB295]

MICHAEL McHALE: ...transferring from a public school to a qualified school and is entering any of grades kindergarten through twelve. So first time remains the necessary condition. [LB295]

SENATOR SCHUMACHER: It doesn't apply. The first time it precedes the "or". I think that... [LB295]

MICHAEL McHALE: Okay. That's a question...I definitely would be willing to hash that out with you privately. I'm not seeing it the same way. [LB295]

SENATOR SCHUMACHER: All right. I think that one is pretty clear. [LB295]

MICHAEL McHALE: Okay. [LB295]

SENATOR SCHUMACHER: "Tuition means any amount charged"--bottom of page 3, line 30--any amount charged by a school for enrollment in its instructional program. Suppose I want to charge you and the enrollment fee includes a lot of other things. Okay? Can I do it? [LB295]

MICHAEL McHALE: And charge a million bucks? [LB295]

SENATOR SCHUMACHER: Whatever. I mean it's any amount charged is what it says. It doesn't have to be a reasonable amount charged. [LB295]

MICHAEL McHALE: I think we'd be very open to a provision saying you can't charge any more...you can't allow a scholarship for any more than the actual cost of educating the student. I think that's appeared in other state legislation and there isn't a limit on that currently. It seems that would be a good amendment. [LB295]

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SENATOR SCHUMACHER: Page 4, line 9. The applicant, this is the middleman organization that the money runs through, the applicant will offer one or more educational scholarship programs. So they offer one program for one child. Enough? [LB295]

MICHAEL McHALE: Can you point to the exact...I'm on page 4 but what line are you on? [LB295]

SENATOR SCHUMACHER: Page 4, line 9. [LB295]

MICHAEL McHALE: Line 9. One is enough, but again, that's language that's easily workable. [LB295]

SENATOR SCHUMACHER: Okay, what I'm going through, this is a lot of stuff in here yet. On page 5, line 5...well, let's go skip over a little bit to line 7. The taxpayer may not claim an income tax deduction with respect to any contribution to the scholarship organization if they claim a credit. Now is this, are you referring to state tax deduction or federal tax deduction or both? [LB295]

MICHAEL McHALE: I assume that refers to state tax deduction. [LB295]

SENATOR SCHUMACHER: So they still can claim a federal tax deduction? [LB295]

MICHAEL McHALE: I don't know that we have any authority to prohibit them from claiming a federal deduction, but if they do, it doesn't seem that they're gaining for two reasons. One, you only get the credit if you give away your money. [LB295]

SENATOR SCHUMACHER: Okay. [LB295]

MICHAEL McHALE: So I have \$10,000, I give it away, then I get a credit. But I'm out \$10,000. And so if you claim a deduction then for federal purposes, maybe you're out...maybe I'm out only now \$8,000 but I'm still out \$8,000. But then there's a second aspect and that's, I believe we can deduct from our federal taxes our state...our federal reportable income the amount of dollars we pay in state income taxes. So if I claim a credit, if I claim a credit, and correct me if I'm wrong, then I can no longer deduct that state income tax amount from my federal dollars. And because it's a dollar-for-dollar tax credit, there should be an exact offset. You should end up in the same position of \$10,000... [LB295]

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SENATOR SCHUMACHER: A federal deduction, if you were in a 30 percent bracket, is worth 30 cents on the dollar. You've gotten 100 cents on the dollar on the credit side. [LB295]

MICHAEL McHALE: Only because I've given away that money, so I don't have it. I haven't gained anything. But then can't you not deduct from your federal income the amount of state income taxes you pay. And now I'm paying less in state income taxes. So I'm not able to deduct that from my federal income taxes now. So I'm going to end up exactly where I was in the first place. [LB295]

SENATOR SCHUMACHER: Then we have the interaction of the federal standard deduction and all of that in there. [LB295]

MICHAEL McHALE: You might be getting above my head at that point. But that's my understanding. You can deduct from your federal income, reportable income the amount of state income taxes you pay. And now we'd be paying less state income taxes, so therefore, less of federal deduction. [LB295]

SENATOR SCHUMACHER: I was going to ask on page 9 whether or not the credits carry over from year to year, but these credits will be burned up so fast that we won't have to worry about a carryover I'm afraid. Thank you, that's all I have right now. [LB295]

MICHAEL McHALE: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Harr. [LB295]

SENATOR HARR: Thank you and thanks for coming. I'm not a tax lawyer and so I'm trying to figure out how the money flows. Are you the tax expert that's coming or is there someone coming after you to your knowledge? [LB295]

MICHAEL McHALE: There's nobody that I know coming after me. So I'm not a tax expert, but. [LB295]

SENATOR HARR: Okay, so I always...I'm going to put my lawyer hat on for a second and say the person who wants to pass a law has the burden of proof to tell me how it works. [LB295]

MICHAEL McHALE: Okay. [LB295]

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SENATOR HARR: So I'm going to ask how this works. I make \$100,000 a year. Thank you for changing the Constitution and now state senators make \$100,000 a year and I've never had so much money in my life. So I give \$10,000 to this tax scholarship fund. First of all, I guess my first question is how do I know I can claim all \$10,000 if we're limited to \$10 million. Maybe I decide on December 31. How do I know if the program has been overprescribed or undersubscribed? [LB295]

MICHAEL McHALE: There is a provision in there, and I don't know how the exact time line would play out, but the Department of Revenue would be required to inform the scholarship-granting organization after the scholarship-granting organization had been informed of your interest to donate. So you kind of go through the chain, you get to the Department of Revenue. They have to inform whether those credits are available. [LB295]

SENATOR HARR: So I can't just write a check on December 31? [LB295]

MICHAEL McHALE: Correct. [LB295]

SENATOR HARR: Okay. So there's a little more work than a normal contribution. [LB295]

MICHAEL McHALE: Correct. [LB295]

SENATOR HARR: Okay. So do I give my \$10,000 first or do I call the scholarship-granting organization. Is that...I want to give \$10,000. Tell me what I do. [LB295]

MICHAEL McHALE: Call the scholarship-granting organization. [LB295]

SENATOR HARR: Okay. So I call them. What happens now? I say hello. Now what happens? [LB295]

MICHAEL McHALE: Express your interest in donating your \$10,000. They are to take that to the Department of Revenue and ask whether there are any credits available under this program to be essentially distributed to you or that you could essentially claim. And they have 30 days to go to the department and the department has 30 days to respond. I think that's my understanding of the bill. The time windows might be a little...but there's a time limit in each level of communication. So they go to the Department of Revenue. The Department of Revenue comes back to them. So 60 days, I believe, is the overall possible time window. [LB295]

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SENATOR HARR: I am going to assume this is a very, very popular, similar to our...we had one when we... [LB295]

SENATOR SCHUMACHER: Angel. [LB295]

SENATOR HARR: Angel Investment, there we go. I knew it was something relating to religion. So Angel Investment, it is fully funded the first day. So what happens if the first day you have \$12 million of people who say I want to give? How do we decide who gets the \$10 million and who doesn't? Is it first in time gets it? Or is it, do we say, oops, you did it within the time lines. As you as you do it within the time lines you get that tax credit even if it's more than \$10 million. [LB295]

MICHAEL McHALE: Nothing is jumping immediately to mind with regard to whether the bill says anything about that. [LB295]

SENATOR HARR: Because there's got to be a cutoff, right? Maybe \$5,000 of my \$10,000... [LB295]

MICHAEL McHALE: If it was on the same day, right. And I believe there is a provision--this might not be exactly to your question--but say there is less in remaining credits and somebody wants to donate, the department could inform the SGO and the SGO could scale down the amount of credits you could claim. But at the end of the day, I'm not sure that's precisely taken care of the bill, but it is something we could, again, easily clarify, some kind of time line. Winner...first in time takes. [LB295]

SENATOR HARR: And so I am that unlucky person that the \$10 million hit, boom. And half of mine falls under that \$10 million, half falls over that \$10 million. So half of it I get tax credit, \$5,000 I get tax credit for. Government said that's the \$10 million, this guy, sorry, see you later. What happens to that \$5,000? Is it returned back to me? Is it, I get it and I'm first in line next year for the \$10 million or whatever it is, plus 25 percent? Or is it up to your discretion, the SGO's discretion to give it back or not and I'm kind of SOL as to whether I get a tax credit or a tax deduction? [LB295]

MICHAEL McHALE: I think it would ultimately be your decision on what you want to do with that money because the SGO would be required, again, to go to the department find out how many credits are left. There aren't enough to match your donation, they would have to inform you of that. Then you could decide how much you want to donate. It seems to me you could

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donate that \$10 million still and claim \$5 million, dollar for dollar, but then another five in a standard 501(c)(3) deduction, if that's what you wanted to do. [LB295]

SENATOR HARR: So the Department of Revenue would tell the SGO who would then tell me? Is that how you read that? [LB295]

MICHAEL McHALE: Exactly. [LB295]

SENATOR HARR: And where do you see that in here? [LB295]

MICHAEL McHALE: It's in here. I don't...within this ten pages. [LB295]

SENATOR HARR: Okay, well, we can look at it. We can look at it. [LB295]

MICHAEL McHALE: But yeah, it is absolutely in here, Senator. [LB295]

SENATOR HARR: I'll look for it. [LB295]

MICHAEL McHALE: (Inaudible) carefully. [LB295]

SENATOR HARR: I didn't see it, but, you know, we can talk it over. [LB295]

MICHAEL McHALE: Absolutely. [LB295]

SENATOR HARR: And maybe you can show me after. [LB295]

MICHAEL McHALE: Here you go. Page 8, and it really goes to page 7 as well. Section 9 is the key section that takes care of that. [LB295]

SENATOR HARR: Okay where? Section 9? [LB295]

MICHAEL McHALE: Section 9, page 7. [LB295]

SENATOR HARR: Okay. And where does it say that? [LB295]

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MICHAEL McHALE: That they have to notify you? Well, subsection (1) talks about the fact that you have to notify the scholarship-granting organization. [LB295]

SENATOR HARR: Yep. [LB295]

MICHAEL McHALE: Okay. Subsection (2) talks about the fact that...it's now after the fact, after the SGO has gone to the department, department has come back to the SGO and informed how many credits. Then you get to subsection (2) and it says your window, when you would make that donation. So you make the donation only after receiving the information from the SGO with regard to how many tax credits remain. It's 31-60 days after having originally notified the SGO, that's when you can make. So you have 30 days to think about it. [LB295]

SENATOR HARR: Okay. And so is there anything...so the department can't certify more than \$10 million, is that what you're telling me? [LB295]

MICHAEL McHALE: Correct. [LB295]

SENATOR HARR: Okay. Now I got a question on the dollars because I don't know how money runs and I don't know much about...I took a tax accounting class 20 years ago and I did not stay at a Holiday Inn Express. I give \$10,000. Ten thousand of it goes to a tax credit on the state level. For my federal taxes, I get a deduction, correct? [LB295]

MICHAEL McHALE: Yes, I believe so. [LB295]

SENATOR HARR: And so for simplicity sake only, let's say I'm in the top rate because I'm a single individual making \$100,000 and I pay 30 percent tax. Again, for simplicity sake. So that \$10,000 I can write off \$3,000, correct? [LB295]

MICHAEL McHALE: I believe so. [LB295]

SENATOR HARR: I think so. That part I think we agree on. Does that go to my adjusted gross income or is that after my adjusted gross income? So if that's my only deduction, I have \$100,000, I deduct the \$3,000, now my adjusted gross income is \$97,000, correct? [LB295]

MICHAEL McHALE: I believe... [LB295]

SENATOR HARR: Assuming no other...well, let's give it a \$1,000 standard deduction. [LB295]

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MICHAEL McHALE: Okay. [LB295]

SENATOR HARR: So now I'm at \$96,000. Is that correct? [LB295]

MICHAEL McHALE: It seems to me. I'm not a tax lawyer and I'm not great with numbers. But at this point you're kind of...but yeah, that seems right to me, yeah. [LB295]

SENATOR HARR: I think so. So then when I go to do my state taxes, the first line they ask me is, what's your federal AGI? And then everything is based off that federal AGI, is that correct? [LB295]

MICHAEL McHALE: I believe so, yeah. [LB295]

SENATOR HARR: Okay, so we would have to make an adjustment on our state form to say if you are receiving this tax credit you have to back out your federal AGI...you'd have to adjust your federal AGI, is that correct? [LB295]

MICHAEL McHALE: I believe so, but I think it's starting to get away from the point regarding the purpose of the program which is to help families. [LB295]

SENATOR HARR: And I know... [LB295]

MICHAEL McHALE: And the fact that you have to give away your money to even get a credit so you're out money. You're not gaining. [LB295]

SENATOR HARR: Yeah, and I'm not doubting that. It's just so many times we lose bills, we in the public, we as state senators look ridiculous to the public because we don't think out the consequences and how it works in reality. A lot of stuff look good but then the numbers get screwed up and it's complicated and then it's...the fear. We yesterday heard a bill--you don't know this--but we heard a bill on eliminating the Energy Conservation Act. And the reason we're eliminating it is because no one used it. Well, no one used it because it was too confusing. And so I don't want that to happen with this bill. So I'm trying to figure out how because I'm not a tax accountant and I don't want people...only people that have tax accountants to be able to contribute to these SGOs. I'm just trying to figure out what it would look like and how in reality this would work. And I'll talk to our legal counsel, but I think there's some more complication that we'll have to add language to address how to reverse back to make sure that they don't get to ask twice, get credit for the AGI and then still get the tax credit on the bottom. But that's

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something we get to work out. And I was hoping there would be a tax lawyer who come in and tell me how to do it. But I guess we can figure that out. [LB295]

MICHAEL McHALE: With respect, Senator Harr, the Catholic Conference at least doesn't find it to be overly complicated from the donor's perspective. [LB295]

SENATOR HARR: No, no, no. Nor do I think you should. I was hoping that there would be someone who'd address those tax concerns. And you're the lawyer so you kind of got stuck in that spot. So I apologize. [LB295]

MICHAEL McHALE: I understand. [LB295]

SENATOR HARR: Yeah, thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Just to follow up on the question I asked before, what Senator Harr had just asked, fill out that Nebraska tax form. You take your credit. Let's say you would have owed otherwise \$10,000 and you gave the \$10,000 to the middleman organization here. So now you get to keep your state taxes and not send them in because you have this credit that you can send in. So I'm out no money. I'm out nothing. I gave the \$10,000 and I took my credit off what I had to send into the state. I net out at zero. That's a 100 percent credit. Are we together yet? [LB295]

MICHAEL McHALE: I don't believe so, Senator Schumacher. I'm sorry for not seeing it your way, but one way or another, I have lost \$10,000. [LB295]

SENATOR SCHUMACHER: No, you just got it off your state tax return. Instead of having to write out a check, Dear Department of Revenue, \$10,000, you say, Dear Department of Revenue, enclosed is my receipt showing I gave it to the middleman so I don't owe you anything. [LB295]

MICHAEL McHALE: But I'm going to lose that \$10,000 one way or another. I'm either going to pay it in taxes or I'm going to take it to a scholarship-granting organization. [LB295]

SENATOR SCHUMACHER: But from your...in reality, you...that \$10,000, where you directed it didn't net you a cost of anything. You lost your \$10,000 either way. Okay, so you didn't give

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anything. You just gave it to a different person. Now, you sit down with your federal tax return and you go down to your Schedule A and you say \$10,000 deduction, right? [LB295]

MICHAEL McHALE: Sure. [LB295]

SENATOR SCHUMACHER: So what you have to pay taxes on is \$10,000 less to the federal government, right? [LB295]

MICHAEL McHALE: But we don't agree on the premise that I'm just even. I haven't lost...I don't agree with that premise so, therefore, I can't gain when I go to the deduction. The premise I'm working with and I believe I'm right but I...and I don't...I don't believe you're right, Senator, but I understand that you have a different premise. But under my premise, I've lost the \$10,000. If I claim a deduction, maybe I've lost \$9,000. But I still lost money. But under your premise, I see now you go take your deduction from the federal side, you could gain money under your premise. [LB295]

SENATOR SCHUMACHER: (Inaudible.) [LB295]

MICHAEL McHALE: But I don't believe that premise is correct, Senator. [LB295]

SENATOR SCHUMACHER: After the whole transaction on the federal side from a 30 percent bracket, I just made \$3,000 bucks. [LB295]

MICHAEL McHALE: I just lost \$7,000. [LB295]

SENATOR SCHUMACHER: But you would have lost that either way because it would have been to the state or to your contribution. [LB295]

MICHAEL McHALE: And therefore, I didn't gain. [LB295]

SENATOR SCHUMACHER: Well, I think we're...thank you very much. [LB295]

MICHAEL McHALE: Thank you, Senator. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. I think this is something you guys are going to have to work out on the side. Are there any other questions from the committee? Seeing none, thank you for your testimony. [LB295]

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MICHAEL McHALE: Thank you. [LB295]

SENATOR FRIESEN: Any other proponents wish to testify in favor of the bill? Welcome.
[LB295]

EAN MIKALE: All right. Good afternoon, Senators. My name is Ean Mikale; you spell that E-a-n, Mikale, M-i-k-a-l-e. I am an IBM Global Entrepreneur as well as I currently sit on the National Small Business Association's Leadership and Technology Council. I also actively read grants for the US Department of Education. I've helped to award over \$550 million since 2012. I'm also an FAA commercial drone pilot, in addition to the founder of The Drone School that currently operates out of the Omaha Startup Collaborative as well. And I am also the president of the Bryan Center which brings me down here today. The Bryan Center has a rich history in the north Omaha community in particular. The Bryan Center used to be Saint Benedict. It used to be a Catholic school up until the late '60s. And integration essentially sent a lot of those kids out west to other schools. And so that building has been sitting off of the 24th and Lake area for some time now. We have a lot of board members that used to go to St. Benedict that currently participate and assist. But as we all know, in that particular area a lot of the violence that's going on in north Omaha area that's really giving the entire state a bad name is happening right there in that 20th and Lake, 24th and Lake area. And so we're looking at addressing that by having the Bryan Center become a school--a school which is not any school, one that specifically focuses on drone technology. And so we're not looking at essentially competing with any other institutions around the state or really around the greater Omaha area. In particular we're just focusing on strictly drone technology. And any young people that want to focus on drones, regardless of what part of the city that they live in, those are people that we want to bring in. From a standpoint of the economic impact that it would create, currently the Fair Deal Cafe project just went off in order to essentially bring a lot of young entrepreneurs to the 24th and Lake area. Also, there's a lot of blight in that area. We believe that a school there in that area would bring a lot of traffic, a lot of commercial activity to the 24th and Lake area. We also believe that it would help address blight because if I know that my child is going to go to a school where they're going to learn drone technology where they can become certified as a pilot at the age of 16 and pilots currently are making \$150-200 an hour. If I knew that my child would go to an institution like that, I'd be likely to move into that area so that my child may be able to travel or walk to school as well. And so we're looking at it from that standpoint. In addition to that, I'm sure, Senators, that you are all aware of what currently happened recently regarding Offutt Air Force Base, losing that particular deal in order to bring a commercial drone opportunity here to Offutt Air Force Base and all the money that comes with that. By having a drone focus school here in the greater Omaha area, not only would it be the first of its kind in the country but also would it make the greater Omaha area a lot more competitive for national grants, especially at the federal level, being one that actually reads federal grants. And a lot of times at the US Department of Education when I'm reading grants, I do not see grants come

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across from the state of Nebraska which disheartens me. And so I'd like to see us become more competitive as well. Currently the industry as far as drones are concerned, it's projected that there will be 100,000 jobs that will be created between now and 2022. Also, PricewaterhouseCoopers projects that the industry will grow in the next five years to \$127 billion. And so when we're looking at a budget shortfall, I completely understand, you know, everyone is penny pinching, right? But at the same time, right, rich dad, poor dad. You have to pay yourself first. You have to invest in yourself first even if things aren't necessarily going well. For example, all the young people that are going into the prison pipeline system, right, it's costing anywhere from \$40,000-\$90,000 per child, when we're talking about \$11,000, \$12,000 that would be spent on the front end. And so I think that there are some wise decisions that can be made as far as upfront investments. Also, this particular bill would allow us to be able to go after a diversity of potential investors and philanthropic donors as well. And so we want options when we do initiate this particular institution and this bill would help bring those particular options to this potential school. [LB295]

SENATOR FRIESEN: Thank you, Mr. Mikale. Any questions from the committee? Senator Lindstrom. [LB295]

SENATOR LINDSTROM: Just one quick question. When you're talking drones, not necessarily military... [LB295]

EAN MIKALE: Commercial. [LB295]

SENATOR LINDSTROM: Amazon, things of that nature. [LB295]

EAN MIKALE: Yes, we're talking primarily commercial. Also, the other thing is that currently we know that even though the Offutt Air Force Base deal didn't happen, strategically I mean it makes sense in order to still have something of that nature relocate at Offutt. It would help from an economic impact. I mean you're having...the turnover rate for drone pilots is 24 percent. And so we projected that over ten years there will be about...actually I think it was about 900 pilots that actually would be able to come and relocate the greater Omaha area. Now from a commercial standpoint, you have all kinds of organizations such as Amazon, DHL, the US Post Office, etcetera, that are investing in this particular arena. I don't know if you guys are familiar with Amazon Go which is essentially Amazon's getting into the grocery store business and they are going to essentially eradicate cashier positions, period. And so we have to get ahead of the ball. We can't wait, you know, with our fingers in our pocket and we can't get stuck in the regulations, right? We have think about what is the impact that we're trying to create as a state, who are we try to attract, what businesses are we trying to attract, how do we stay competitive

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and on the cutting edge so that we don't lose a lot of money and talent to other states and other localities. [LB295]

SENATOR LINDSTROM: Thank you very much. [LB295]

SENATOR FRIESEN: Thank you, Senator Lindstrom. Any other questions from the committee? Seeing none, thank you for your testimony. [LB295]

EAN MIKALE: All right. Thank you. [LB295]

SENATOR FRIESEN: Are there any proponents wishing to testify? Seeing none, any opponents wish to testify on LB295? Welcome. [LB295]

JOHN BONAIUTO: (Exhibit 7) Thank you. Senator Friesen, members of the Revenue Committee, my name is John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, representing the Nebraska Association of School Boards here in opposition to LB295. The Nebraska Association of School Boards has a longtime standing position dealing with tax credits and vouchers. And we realize this is a tax credit bill, but this position would be the same, in opposition, whether the state was in better financial condition or not. In good financial times we'd still be in opposition to this concept. I do agree with Senator Smith that this bill is not about public versus private or parochial schools. Parents right now have this choice. What we're doing is talking about who pays. Public schools are always available to all children. The public schools are working with many of these nonpublic school partners right now, sharing special ed services, government programs, and in some communities, athletics and activities. The last point I would make is that I would use the old analogy, the elephant's trunk under the tent. And we're seeing the trunk but there's a lot of elephant out there, that a program of this nature can grow dramatically. And this means that the state is taking potential state revenues off the table, money that you would use for your budget and priorities. We're not saying it's the public schools' money--could be the public schools' money, could be Corrections'. But it's money that you're not going to have when you sit down to make decisions for the state when you obligate whether it starts with \$10 million and it grows to \$25 million or whatever the number. So the Nebraska Association of School Boards would urge the committee to indefinitely postpone this bill. And with that, I'll conclude my testimony. [LB295]

SENATOR FRIESEN: Thank you, Mr. Bonaiuto. Any questions from the committee? [LB295]

JOHN BONAIUTO: Thank you. [LB295]

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SENATOR FRIESEN: Seeing none, thank you for your testimony. Welcome. [LB295]

KATHY DANEK: (Exhibit 8) Thank you. Good afternoon, Senator Friesen and members of the Revenue Committee. My name is Kathy Danek; that is spelled K-a-t-h-y D-a-n-e-k. I am here representing Lincoln Public Schools where I serve on the Lincoln Board of Education. I offer testimony today in opposition of LB295. Taxpayers and organizations receive an income tax credit in an amount equal to the donation amount to a nonprofit organization under the Opportunity Scholarship Act. The credit, though not refundable, can be carried forward for five years. The credits are limited to \$10 million for 2018, and the amount can increase 25 percent per year based on utilization. The Opportunity Scholarship Act reduces income tax revenue. Provisions that erode revenues are of great concern. Revenue reduction decisions are the primary reason we are currently facing a budget shortfall. One question I ask is, can Nebraska afford to pay for two systems of education? The constitution requires one, a public system where every child who walks through our door is served. Our schools are achieving at high levels. For example, according to the ACT, the Condition of College and Career Readiness in 2016 report of states testing over 80 percent of graduates, Nebraska has the highest average composite score of 21.4. Of the states in the top third of participation in the ACT, Nebraska ranks first in composite scores by almost a full point. Last year 2,351 juniors took the ACT and scored an average composite score of 20.7. Children across the state not only have access to high quality public schools but a strong system of public school choice. The Nebraska option enrollment system allows students and families to select and make choices about where to attend public schools. Strong systems of in-district choice exist. In Lincoln Public Schools, students have access to a school permit process to select a traditional school within our district or they can attend one outside of their attendance area school, if desired. In the high school level, Lincoln Public Schools provides a Science Focus Program, an Arts and Humanities Focus Program, an International Baccalaureate Program, and a Career Academy with 16 career pathways. I believe not advancing LB295 and maintaining the revenue to invest in public education is the best path ahead for Nebraska's children. [LB295]

SENATOR FRIESEN: Thank you, Ms. Danek. Any questions from the committee? [LB295]

KATHY DANEK: Thank you. [LB295]

SENATOR FRIESEN: Seeing none, thank you for your testimony. [LB295]

ROB WINTER: Good afternoon, Senator Friesen, members of the committee. My name is Rob Winter, R-o-b W-i-n-t-e-r, and I'm here representing the Greater Nebraska Schools Association. One of the disadvantages of going later in the day is a lot of your stuff has already been covered, so I will not have you go through all of those statistics again. But the Greater Nebraska Schools

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Association, through its 25 members, represents 215,000-plus of the state's three hundred twelve thousand public school students. I'm here today to provide testimony in opposition to LB295 but this discussion really can only...cannot center on whether charter and parochial and private schools are good or bad. We all know examples of excellent charter schools, excellent parochial schools, excellent private schools. We also know that there are equally as many examples of those schools that are not successful for our kids. But the question today before the committee is, should tax dollars be siphoned from the state's already strained budget to support private or parochial educational institutions? One might argue or suggest that this effort is meritorious if the educational needs of the state's public schools and its public school children were not being met. But as Mrs. Danek just laid out for you, clearly that assertion is an inaccurate one. Many of the...many will lament and we have heard today about the need for parental choice when discussing educational opportunities. The Greater Nebraska Schools supports parental choice, and in the state of Nebraska that parental choice is available. As Mrs. Danek just said, there are opportunities within a district to attend various schools. There are opportunities as far as options for kids to go. There are opportunities for private and parochial schools. Public schools in Nebraska welcome all children. Regardless of their religious beliefs, regardless of their needs for special service, regardless of their language acquisition, public schools welcome all children. Members of the committee, when public dollars go to public schools, we educate all the public's children including those turned away for whatever reason from the private sector. Education is the backbone of this country. It's the backbone of Nebraska. And I would implore you not to advance LB295. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Mr. Winter. Any questions from the committee? Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Just briefly, we heard arguments though today that if we do this, we're going to save tax dollars and thus have more to spend on the public schools or some other thing like Corrections or whatever. From what you can tell, has that been the experience in other parts of the country? [LB295]

ROB WINTER: Well, I am not well-versed across the country. But earlier testimony suggested Kansas and I spent time in Kansas as an administrator and it clearly is not the case in that state, sir. [LB295]

SENATOR SCHUMACHER: Okay. If you have a school and you're operating it and you have...lose 3 percent of your population because they move over to this school system, does your cost go down by 3 percent? [LB295]

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ROB WINTER: If we could tell you which 3 percent they were. In other words, if you have 3 percent across your enrollment, if you have three percent but some of them are in grades 1, 2, 3, and 4, you're still running those classrooms. So your enrollment may be down but your overall cost may not. [LB295]

SENATOR SCHUMACHER: So your gas isn't any cheaper for your buses. [LB295]

ROB WINTER: Exactly right. Whether there's 40 kids on it or 50 kids on it, it still costs the same amount of money to run the route. [LB295]

SENATOR SCHUMACHER: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Senator Brasch. [LB295]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, Mr. Winter, for your testimony. The Greater Nebraska Schools, from memory it's mainly schools along Interstate 80 and typically your membership is 1,000 students or greater. Is that still correct? [LB295]

ROB WINTER: Senator, the Greater Nebraska Schools are 25 school districts. And you're right from the standpoint as far as enrollment is concerned. We also have Gering and McCook that are not obviously right along the interstate. And the preponderance of the Omaha metro area schools are a member of that. We also are school districts that are reliant upon the equalization component within the TEEOSA formula. [LB295]

SENATOR BRASCH: Okay, very good. And why I asked this is because hearing from individuals in our district, specifically District 16 and then as state senators which is said across the state, people have expressed the growing financial needs of the public schools compared to the ability to pay. And then there are the parents who are in...keeping up with those taxes but they do have the choice and want their children to have a private school environment, whether it's parochial of some sort. And I'm hearing that those services are shared and that person is paying way beyond what they're able to pay and finding a way through work while you spend tuition. But I'm trying to think since this is one and the same person paying public school taxes and trying to get faith-based education, isn't there or a path that could open or a door? You know, I don't know. Have you ever worked with those schools? [LB295]

ROB WINTER: We work...public schools...and you heard testimony all today about the relationship between the private, the parochial, and the public schools and they clearly work very well together. Spent 38 years as a public educator, so, you know, very, very involved with

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working with private and parochial schools. With respect to...at the end of the day, and I'll go to Senator Harr's example earlier, public schools provide an equal opportunity for all kids to come. And we don't turn a child away. And as I shared with the group yesterday, not only do we enroll them, but we welcome them. If there are families that choose to elect to go elsewhere, it's no different than I can drive my Ford pickup or I can drive a really nice Denali GMC. [LB295]

SENATOR BRASCH: And at the same time what we're seeing is our Corrections system has grown. [LB295]

ROB WINTER: Yes, ma'am. [LB295]

SENATOR BRASCH: You know there are societal needs that go beyond reading, writing, math, the subjects at hand, that there is something in the fiber of the character, those needs that I believe are migrating people more towards some of the faith-based institutions, is where public schools are turning out individuals but somehow those numbers are still filling our incarcerated...you know, it needs more, you know, I've stressed civics, more things that families can grow on spiritually perhaps. [LB295]

ROB WINTER: Well, and given the opportunity, I could rail on and on about early childhood opportunities. [LB295]

SENATOR BRASCH: Okay. [LB295]

ROB WINTER: But this is neither the time nor the place. [LB295]

SENATOR BRASCH: Okay. [LB295]

ROB WINTER: But your point is well taken. And I think from our standpoint and the public school standpoint, I think there are some things that can be done. And like I said, I would love to visit with at some time at length about early childhood education, three- to five-year-old program so the kids come ready and we don't find ourselves behind the eightball in the 3rd grade and then it simply goes south from there. [LB295]

SENATOR BRASCH: Very good. Thank you, Mr. Winter. I have no other questions. [LB295]

SENATOR FRIESEN: Thank you, Senator Brasch. Any other questions from the committee? Seeing none, thank you for your testimony, Mr. Winter. Welcome. [LB295]

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LARRY SCHERER: (Exhibit 9) Thank you. Good afternoon, Senator Friesen, members of the Revenue Committee. My name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'm the director of research at Nebraska State Education Association here to offer opposition testimony for our 28,000 members, public school teachers and college faculty. And most of the reasons have been stated in terms of using public funds for support of a private entity. We do that in other areas, of course, but there's a constitutional provision Article VII, Section 11--it was referred to by the gentleman from the Catholic Conference--that says you can do this if you frame it correctly. That is probably true, but it was the clear intent of the framers of that constitutional provision that we keep the two separate. And this certainly does not. The other constitutional provision that this raises, and it doesn't cause a problem, you know. But Article VII, Section 1, which Senator Groene mentioned, says there's an affirmative duty on the Legislature to provide free instruction in the common schools. We think that means adequate funding in the common schools and we also think that means public schools. So what I've attached here are a couple of charts, the first one is State Aid Funding Gaps Under TEEOSA. And it just takes a 15-year period going through current. All of those in the funding formula gaps column is the difference between what the formula said should go out--and this year it's \$1,046,000,000. And if you see in the last column, the Governor has proposed \$1,016,000,000--a lot of money. It's...you know, the state is doing a lot there. But if you look at that over time you'll see that the state is not keeping up with its public school obligations. So if we add another burden, you know, will that make it more difficult? The question was raised, will we save enough money, that this will be revenue neutral or a gain? I doubt it. And the reason is the complications of our state aid formula. If you're using Lincoln as an example, you'll have 1,000 new kids go to private schools. You know, if it's distributed around the district, and Mr. Winter referred to that. Also, it doesn't necessarily translate into cost savings for the school district. Their state aid may go down. That might be a tax savings to the income and sales taxpayers that you all represent. But...doesn't mean their overall tax ask or property tax would go down that much because of the interaction between the two. And the last page of this is another...another table that looks at...and this, Senator Schumacher, you asked two or three years ago what's the relationship between state spending and why are the costs going up so much? And this shows the property tax receipts in the first row, the state aid receipts, property tax plus state aid. Well, I do some breakdown of the share. And then the general fund expenditures of all schools. This is statewide. And then the last in the blue is the state budget increase. And what you'll see if you look closely...and 2003-2004 is a good example. The state aid was cut 3.23 percent and property taxes go up, property tax receipts go up 11 percent. And you'll see this relationship throughout. And you know that ignoring the relationship for many, many years means that we have kind of a hole. It's why property taxes are the biggest issue when you go out and campaign door to door. It's the way we pay for public schools and the way we have kept up or not kept up. The last column is sort of the average over that period of 20 years. And if you look at the school spending, 4.15 percent over that period of time, 4.31 percent for the state budget. I know those are different things and I know they are duplicating. In other words, sometimes that money goes to schools. But what it reflects is, you

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know, the issue of property taxes isn't all about what schools are spending. It's about what the state is spending, too, and what they can afford to spend. This is just, for the purposes of this bill, is to say that before you start a new program to fund choice, which is not a constitutional obligation, do a job, take a close look at school funding of public schools, see what we can do to improve the tax structure of that. So thank you very much. I'll try to answer any questions. Probably have a chance to talk to you more about these numbers later on when we talk about state aid to schools. So thank you. [LB295]

SENATOR FRIESEN: Thank you, Mr. Scherer. Any questions from the committee? Senator Brasch. [LB295]

SENATOR BRASCH: Thank you, Vice Chair Friesen, and thank you, Mr. Scherer. And I intend to be brief, but when you had made statement of the separation of church and government or school, in my conversations with constitutional experts, it was never intended to obliterate religion or...it was just a...not freedom from...you know... [LB295]

LARRY SCHERER: Yeah, intended not to favor one religion over the other? [LB295]

SENATOR BRASCH: Exactly, exactly. [LB295]

LARRY SCHERER: Exactly. And by doing, you know, this program, are you favoring Catholics and Lutherans over religions that don't have public schools...that don't have private schools, which could? I don't know. I'm not making... [LB295]

SENATOR BRASCH: But those... [LB295]

LARRY SCHERER: I'm not making that argument. [LB295]

SENATOR BRASCH: All right, okay, just to be clear. [LB295]

LARRY SCHERER: I'll just say in the United States of America, freedom of...you know, the separation of power, of church and state is such an important thing. It keeps this peaceful as opposed to countries that have religious law and want everybody else in the world to have that as well. [LB295]

SENATOR BRASCH: Very good. Thank you. [LB295]

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SENATOR FRIESEN: Thank you, Senator Brasch. Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen, and thank you for your testimony today, Mr. Scherer. The one thing that...and I tried to reach...get at this number and was unable to get at it last year when I introduced a bill saying, look at, somewhere in the equation what if the parochial schools in this state closed? How much additional burden would the public schools have to take on? And to quantify the...for fairness purposes, how much is being saved by the...by the parochial school system... [LB295]

LARRY SCHERER: Sure. [LB295]

SENATOR SCHUMACHER: ...and whether or not we should acknowledge that in the fact that those people are paying double or maybe something more than what somebody who's not involved in the parochial schools pays. [LB295]

LARRY SCHERER: Right. [LB295]

SENATOR SCHUMACHER: Any idea what that number is? And as a follow up to that, isn't it fair that they get something because they're lightening the burden of the state so much? [LB295]

LARRY SCHERER: Well, they choose to do that for...I used to serve on a Lutheran...Lincoln Lutheran School Board. And I put my money in the collection plate knowing full well that some of that was going for the school. Our kids went to public schools. I didn't have to do that. I don't think the people that want this bill, they don't have to do that. They believe in it strongly. You know, either they're paying twice or the state is going to pay twice. And it seems to me, it's their personal belief that they could do better in another option, they should pay for it. The other thing is my daughter teaches in a parochial school and she doesn't agree with me on all these. (Laugh) [LB295]

SENATOR SCHUMACHER: Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Any other questions from the committee? [LB295]

LARRY SCHERER: Thank you for your time. [LB295]

SENATOR FRIESEN: Seeing none, thank you, Mr. Scherer. Welcome. [LB295]

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RENEE FRY: (Exhibit 10) Thank you. Good afternoon, members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. I'm here today to testify in opposition to LB295. We oppose this legislation for several reasons. First and foremost, as has been brought up in questions, this program would allow wealthy donors to actually profit from their donation to a scholarship granting organization. The bill allows a donor to receive a state tax credit equal to the full amount of the donation. And while it prohibits donors from taking the state income tax deduction, we are not aware of any provision that would prevent donors from also taking it as a deduction on their federal taxes. In fact, in other states that have similar programs, such as South Carolina and Georgia, the scholarship organizations advertise these credits as money-making opportunities. For example, families subject to the Alternative Minimum Tax, likely to be making between \$200,000 and \$500,000, cannot reduce the AMT through a state tax deduction but can through a charitable deduction. So under this bill, you would receive a 100 percent state tax credit with no cap on the donation, and you could make 28 cents on the dollar on any income that's subject to the AMT and 35 cents in the AMT exemption phase-out. In Alabama, they limit a donation to \$50,000, and donors can still make up to \$16,625. Unlike Alabama, this bill has no such cap on the amount a donor can donate. In South Carolina in 2014, it was estimated that one person who donated \$1.52 million to a scholarship-granting organization earned between \$100,000 to \$638,000 depending on their federal tax rate. Questions that came up before: you can't deduct state income tax from the AMT but you can deduct charitable donations. That was the question from the attorney earlier. We also have concerns this poorly targeted. Many middle- and upper-middle-class families would receive a tax break for sending kids to private school when they would have gone to private school anyway. Under the bill, kids would qualify for scholarships at 370 percent of the Federal Poverty Level, so a family of four can make up to \$89,725 putting them in the top 40 percent of Nebraskans in 2016 and still qualify. In comparison, qualification for Medicaid for parents is 58 percent of the federal poverty level, nutrition assistance is 130 percent, and Children's Health Insurance is 213 percent. LB295 absolutely wouldn't result in the savings as promised. A 2016 Arizona report showed most of the scholarships went to students already enrolled in private school, and that private school enrollment was not increased since the credits were established in late 1990s while public school enrollment has grown. In Iowa, private school enrollment actually went down after a similar credit passed there. This is important because if the scholarships are going to kids that would have gone to private schools anyway, the state won't be able to reduce any public school expenses. The credit can only result in savings if a significant number of public school kids transfer to private schools in a way that would reduce public schools' expenses, because even if public school enrollment declines slightly, fixed costs for public education cannot be cut. You still need teachers in the classroom, lights, heating, maintenance, etcetera. There is little evidence that tax credits or tax deductions for scholarships improve educational outcomes. If better student outcomes are really the goal of this bill, it would be more prudent to invest in evidenced-based programs that strengthen public education, such as extended learning, early education, and career education. Finally, LB295 is designed to grow by

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as much as 25 percent per year, potentially costing the state over \$74 million per year by 2027. For this reason and the aforementioned reasons, we oppose LB295. I would also mention a few comments that were made earlier. Senator Harr, at least in Arizona, more than half of the credits there went to people with incomes above \$80,601. In terms of some of the studies that have been mentioned before, they do make a lot of assumptions. There is an EdChoice report that looked at the fiscal effects of these programs. And they admit that they have to guess how many students would not have been able to attend private schools without the scholarships. They found taxpayer savings based on a range of assumptions and they said that there were certain challenges and considerations that generally apply to evaluating fiscal impact of a school choice program. So they assumed 60 percent of students would have enrolled in public schools without the financial assistance. And they found that the breakeven rate for these programs to be cost neutral ranged from 13 percent to up to 95 percent. And these are the studies that were cited as saying that these programs save money for taxpayers based on a lot of sort of dubious assumptions. I would also mention that the Florida report that was mentioned earlier assumed 90 percent of students would have attended public school but for the scholarship. [LB295]

SENATOR FRIESEN: Thank you, Ms. Fry. [LB295]

RENEE FRY: Thank you. [LB295]

SENATOR FRIESEN: Any questions from the committee? Senator Harr. [LB295]

SENATOR HARR: Thank you, Mr. Vice Chairman, and thank you for coming here today. You handed us a copy of your written statements. In there you reference a 2016 Arizona report. Just so we have it for the record, that is...and you footnoted that it's the Private School Tax Credits Divert Public dollars for Private Benefits report from the Children's Action Alliance, is that correct? [LB295]

RENEE FRY: Yes. [LB295]

SENATOR HARR: Okay. From January 2016. [LB295]

RENEE FRY: Yes. [LB295]

SENATOR HARR: Thank you very much. That's all I had. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Schumacher. [LB295]

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SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you, Ms. Fry, for your testimony today. Just so I understand, basically you can make money off of this if you're in a high enough tax bracket. [LB295]

RENEE FRY: Correct. In fact, in some states this has really caught on. In Georgia, they have credits worth \$58 million. And on January 1 of 2016, those were all claimed in a single day. Likewise in Arizona, \$67 million in credits were gone in a matter of hours. So, yes, it looks like you can make money and people have figured this out. In fact, I would also say...well, I think I mentioned that it's advertised as money-making opportunities in some states. In fact, there was a seminar at a wealth management organization in Virginia that actually says there is very little...very little logic to the tax code. Even if you don't agree with a law, you should take advantage of the tax benefits. [LB295]

SENATOR SCHUMACHER: Okay, so if you were in that upper bracket and you were able to do this, you may not care about education. [LB295]

RENEE FRY: Correct. [LB295]

SENATOR SCHUMACHER: You're just making money. [LB295]

RENEE FRY: Right. [LB295]

SENATOR SCHUMACHER: Okay. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Any other questions from the committee? I shouldn't say this, but then so we could fund our public schools this way? [LB295]

RENEE FRY: Should we...(laugh). [LB295]

SENATOR FRIESEN: Never mind. That's okay. Thank you for your testimony. [LB295]

RENEE FRY: Thank you. [LB295]

ANN HUNTER-PIRTLE: (Exhibit 11) Good afternoon, Senator Friesen, members of the committee. My name is Ann Hunter-Pirtle, A-n-n H-u-n-t-e-r-P-i-r-t-l-e, and I'm the executive director of Stand for Schools. Stand for Schools is a nonprofit organization dedicated to advancing public education in Nebraska. As a couple of other speakers have alluded to,

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Nebraska enjoys excellent public schools boasting one of the highest four year high school graduation rates in the country, the highest ACT score in the nation among states where 80 percent or more of students take that exam, and the seventh highest college-going rate in the country. In addition, Nebraska's public schools enjoy significant popular support with the vast majority of Nebraskans, nearly 80 percent supporting public education in recent polls. Because Nebraska's public schools are strong, Stand for Schools opposes LB295 because it would create a dollar-for-dollar tax credit that would diminish the funds the state can use for General Fund expenses which could include public education and by \$10 million in 2018-19 and possibly much more thereafter as other speakers have mentioned. To be clear, Stand for Schools supports private education options. We simply believe that private education should be privately funded and that taxpayer dollars should be invested in strengthening excellent public schools that benefit all Nebraska children. LB295 would do nothing to address the state's overreliance on property taxes to fund public schools. Rather than investing \$10 million per year or more in scholarships for private education, we believe that funding would be better utilized for property tax relief by better funding public schools from the state level. An additional concern about LB295 is its Section 12 provision--and I believe this is on page 10--that the Opportunity Scholarships Act shall not be construed as granting any expanded or additional authority to the state of Nebraska to control or influence the governance or policies of any qualified school. Stand for Schools wants taxpayer dollars to go toward providing all students a quality public school education. That's because public schools educate all students. Section 12 of LB295 seems to suggest that taxpayer funds come with no requirements that private schools not discriminate based on student abilities, language skills, immigration or refugee status, sexual orientation, or gender expression, among other possibilities. And for these reasons we oppose the bill. Thank you very much. [LB295]

SENATOR FRIESEN: Thank you, Ms. Pirtle. Any questions from the committee? Seeing none, thank you for your testimony. [LB295]

ANN HUNTER-PIRTLE: Thank you. [LB295]

SENATOR FRIESEN: Any others wish to testify in opposition of LB295? Seeing none, are there any wishing to testifying in a neutral capacity? You wish to testify in opposition? [LB295]

MATTHEW EASH: Neutral. [LB295]

SENATOR FRIESEN: Neutral, okay. Please come forward. [LB295]

MATTHEW EASH: Good afternoon, Vice Chair Friesen, members of the Revenue Committee. My name is Matthew Eash, M-a-t-t-h-e-w E-a-s-h, and I am representing my company, Nebraska

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School Finance Strategies and I'm speaking in the neutral just to clarify some of the questions or the ambiguity regarding the potential savings to the state budget as a result of removing several thousand students from the public school system and putting them in the private school system. I did a report two years ago, study to determine that. And while that data is now outdated and cannot be used specifically for the findings to support future years now, it would have to be updated, but the context and the methodology behind it is still sound. And what it...without going into too much detail about TEEOSA mechanics...and if anybody wants to...would like to understand the detail of it, I'm happy to talk to you now if you have the time or later. But in general, if you take students out of the school system, TEEOSA will adjust its need that schools need based on the...based on its peer array, all right. So now if every school system were to lose students to private schools in an equal percentage it would be a wash and every school system would be held harmless and there would be no benefit to TEEOSA. But that won't happen because you don't have private schools throughout the state. Primarily...and this is an assumption on my part, but primarily you're going to see migration in the Omaha metro area and Lincoln because that's where the private schools are. Those are the schools that have desks that can absorb students right away. So if that happens, those two school districts, primarily OPS and LPS, would lose the most students, probably 90 percent of the migration would come from those two school districts alone. Now again, that's hypothetical because you don't know necessarily how many scholarships are going to be awarded, you know, and who will actually take them. And how much the cost of each one of those scholarships will be so you don't know where the actual migration. But if you were to get...in my study two years ago, if you were to have 4,000 students migrate throughout the state, and again, probably 90 percent of it is going to be Lincoln and Omaha, that would be enough to shift in about three years the amount of aid that goes into TEEOSA for those schools by the same amount of the tax credit. So...now again, that took about three years. It may be different now if we were to adjust for the new TEEOSA mechanics, the new TEEOSA law. It may be slightly different. But the gist is the same. So there were some comments about, well, if you take state aid away from the schools their costs are going to still be the same. Yes, in the beginning. And TEEOSA has a hold harmless provision for that as well. So what will happen is the schools won't be unable to pay because that aid is gone because they will get that money. What will happen is those school systems will not build new schools. They will not hire additional teachers for a few more years than they otherwise would. So it would be like the effect of attrition. And so no one's going to lose their job, schools are not going to be shut down, just new ones won't be built and additional teaching staff would not be hired. That's how TEEOSA would force the school systems to essentially slow down their growth because they don't have as nearly many students so they don't have the need for the growth. That's how that would work. Does anyone have any questions? [LB295]

SENATOR FRIESEN: Thank you, Mr. Eash. Senator Brasch. [LB295]

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SENATOR BRASCH: Thank you, Vice Chair, and thank you, Mr. Eash. You've been here before. You're a statistician, programmer, number-cruncher, analytics, etcetera, correct? [LB295]

MATTHEW EASH: Sure. [LB295]

SENATOR BRASCH: Okay. That's the best I can express it. [LB295]

MATTHEW EASH: All of that. [LB295]

SENATOR BRASCH: Okay. Have you looked at, and this is what's coming to my attention, as Washington County, one of my counties, the jail is three times over capacity. You know, we're looking at Corrections statewide. That's a huge investment. You know, our education is also a huge investment and I'm wondering, do you ever look at the numbers on perhaps a student needs something more than curriculum and the academics to enter...is it something you've considered or is that something that no one has contracted you for or...? Because I do think perhaps we need a little more as we're going into seeing the issues of individuals going into Corrections and I think when a person spends K-12 in one institution, public institution and then unfortunately falls into another institution that's also a financial stress, have you ever looked at that? And I don't want to take much time here. [LB295]

MATTHEW EASH: No, we have not, nor have we ever been asked. I am the modeler of my company and my business partner is the data cruncher. And so I'm not sure. He would have to answer the question as to whether there's even enough data to do an analysis like that. We wouldn't tackle it unless we could turn it into numbers. [LB295]

SENATOR BRASCH: Because perhaps the investment in a private education that offers something other than just curriculum could be beneficial. [LB295]

MATTHEW EASH: Right. Like I said, if there was enough data, year-over-year data to support that kind of a premise then we could look into it. Anyone could look into that. But I'm just not sure that and I don't know and I don't think that there is enough year-over-year data to suggest like antirecidivism and programs like that. [LB295]

SENATOR BRASCH: Exactly. All right. I have no other questions. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Brasch. Any other questions from the committee? Seeing none, thank you for your testimony, Mr. Eash. Any others wishing to testify in a neutral capacity? Seeing none, Senator Smith, do you wish to close? (Exhibits 12-21) And in the

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meantime we have some proponents. I'll read off some letters for the record from Rachel Terry, School choice of Lincoln; Katie Linehan, Educate Nebraska; Tom Venzor, Nebraska Catholic Conference; Karen Bowling, Nebraska Family Alliance; Matt Litt, Americans for Prosperity; and Deb Portz, Lincoln, Nebraska. And some opponents: Amy Miller, ACLU of Nebraska; Jami Jo Thompson, Norfolk Public Schools. [LB295]

SENATOR SMITH: (Exhibit 22) Thank you. I just wanted to say thank you to the folks that came and testified today and for the families and the children of the schools that were here to observe how the Nebraska Legislature works. And particularly, I think Ms. Cooper did a fantastic job as well, but that seems like ages ago that she spoke. Again, this is but one of the many options available to us in our state to encourage competition, to improve outcomes for our schools, and to provide incentives for innovation in education. And I believe it would help families along the way as well. I recognize a problem with the fiscal note, I mentioned that in my opening remarks. And that this...I welcome this to work with the committee and to have further conversation so that we could at least adopt a framework of this type of an incentive program for our families. I have a letter that I want to submit into the record. This is the Independent Institute. And so for the record, I'd like to submit that letter. And with that. I'll conclude my remarks. I know we have a long evening ahead of us. [LB295]

SENATOR FRIESEN: Senator Harr. [LB295]

SENATOR HARR: Thank you. And thank you, Mr. Chair. You are the Chair of this committee so I look to you for leadership. And I want to ask you because I think this is the argument that's being made through all of the testifiers. It's our public schools are good. Our private schools are good. Competition is good. And that if we do this, what we are doing is creating more competition and that we need to...and by creating more competition we'll have better results. Would you agree with that? [LB295]

SENATOR SMITH: Competition always results in better outcomes, in my opinion. [LB295]

SENATOR HARR: Okay. Good. So what we're doing now is we're trying to find a way to increase or incentivize private dollars to allow for greater...so that it is more affordable and to allow for more students to attend private schools, is that correct? [LB295]

SENATOR SMITH: Lower cost, greater points of innovation. [LB295]

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SENATOR HARR: Okay. So my question is we already have incentives for people to give to private schools. It's called tax deductions. Is that incentive not enough, is that the problem? [LB295]

SENATOR SMITH: I believe that this is but one of the many options we have for making further improvements. Senator Harr, you're more than welcome to oppose this bill. That's perfectly fine. [LB295]

SENATOR HARR: No, I'm just... [LB295]

SENATOR SMITH: But here's what I would offer to you is if you are...if you want to have a sincere discussion as to how we could move forward with improving outcomes in education, let's have that discussion. [LB295]

SENATOR HARR: Okay. [LB295]

SENATOR SMITH: If you do not like the merits of this bill, that's perfectly your prerogative to oppose it. [LB295]

SENATOR HARR: And I appreciate that and thank you. I look forward to the conversation. And again, I look to you for leadership as the Chair of this committee. And so my question is if we need to do tax credits to incentivize our schools so we can have more competition and we can have better results, should we do tax credits for, let's say, breast cancer research so we can get more private dollars into breast cancer research or Alzheimer's so we can get more research and competition on grants for Alzheimer's? [LB295]

SENATOR SMITH: I would certainly entertain any type of incentive program that you would want to bring forward to this committee or any other committee in this Legislature. I do believe that sometimes incentive programs work very well. They can provide the necessary inspiration to move forward. You have a bill yourself that will be in front of this committee that is a business incentive. That has merit as well. But those are the types of things that we need to look at and if they do have merit, we make those decisions based on the information we have. [LB295]

SENATOR HARR: Okay, and I appreciate that. So when we look to...I guess my question is, what should I look for in determining what has merit and what doesn't? [LB295]

SENATOR SMITH: Senator Harr, you're well read. You can make the decision on your own. I believe we need to provide the most information we have for you. [LB295]

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SENATOR HARR: Okay. [LB295]

SENATOR SMITH: If we have any follow up that we can provide to you for you to make that decision, we'll provide that. And then you have to just work with what you have. [LB295]

SENATOR HARR: Okay. Is there anything you would recommend I look to or think about when I look to merit? [LB295]

SENATOR SMITH: Well, I believe that, again, if you like the concept of creating competition in education, if you like the concept to provide the necessary incentives, then I would suggest that there were a number of people that were here today. Welcome them to your office, have further discussion, gather the additional information that you need. And if they cannot provide you that information that you need to support it, don't. [LB295]

SENATOR HARR: All right, I'm not sure what philosophy to look to but I appreciate your answers, and as always, I enjoy conversations with you. Thank you. [LB295]

SENATOR FRIESEN: Thank you, Senator Harr. Senator Schumacher. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Friesen. Thank you, Chairman Smith. We have a fairly good public school system that seems to be working at least when compared nationally. Internationally, this whole country is skipping a few beats on education. We have a good parochial school system that seems to have found a way to fund itself. One thing we didn't hear today was that they're going to close their doors, which is good. And so we have a competing school mechanism even though some folks may have difficulty getting in to the parochial should they choose to do that. But what...and we have some competition. But what we don't have and we've heard, kind of indirectly because we're not on the Education Committee, a need between 18 months and kindergarten. We have no competitors in that category and to the extent we're looking at \$10 million to whatever it graduates up to be, don't we have to weigh that area where there's no competition and the need in a competitive model to see whether or not that's a better...it's a choice. [LB295]

SENATOR SMITH: I think that's a fantastic point that you bring and I've been a strong advocate for early childhood education work a few years ago in trying to refine some of the legislation that we had with the Learning Community to provide for that early childhood. I do think that we need to focus on that and if there are some ways that we can provide the necessary incentives to improve that area of our education, I would like to have that discussion. I really would. But I think you're absolutely right. We need to improve overall education. And again, this is, to me,

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this is not so much about saying that a private parochial is better education. Again, both of my children graduated from public school and lasting relationships we have there with the public school systems. This is about that gap, that income gap where some of the families do not have the choices that I had or that maybe some of you may have and is being able to provide the necessary funding there for them to be able to make those same decisions that I had the good fortune of being able to make. [LB295]

SENATOR SCHUMACHER: Thank you, Senator Smith. [LB295]

SENATOR FRIESEN: Thank you, Senator Schumacher. Any other questions from the committee? Seeing none, thank you, Chairman Smith. [LB295]

SENATOR SMITH: Mr. Vice Chair, let's take about a ten-minute break, about a ten-minute break and use the restroom and then we'll start our next hearing. [LB295]

SENATOR FRIESEN: That would be a good idea. We'll close the hearing for LB295 and we'll take about a five- to ten-minute break. [LB295]

BREAK

SENATOR SMITH: Senator Hansen, the group is all warmed up for you. We have LB65 that you're here to introduce and it relates to providing income tax credits for caregivers. Welcome.

SENATOR HANSEN: Thank you. Good afternoon, Chairman Smith and members of the Revenue Committee. For the record, my name is Matt Hansen, M-a-t-t H-a-n-s-e-n. I'm here today representing District 26 in northeast Lincoln. I'm also here today to introduce LB65. This bill is designed to provide support for family caregivers who are providing care for a person with disabilities in their home. It's my intent with this tax credit to help family caregivers supporting individuals who otherwise would need to move into a long-term care facility or otherwise receive some significant assistance. There would be two companion tax credits. First, a nonrefundable tax credit of \$300 would be available to any taxpayer whose income is between 200 and 400 percent of the federal poverty level who resided and provided care to an individual who is physically or mentally incapable of caring for themselves during the last six months of the year. For those taxpayers earning less than 200 percent of the poverty level, that \$300 credit would be a refundable credit. In order for the taxpayer to receive the credit, the individual there providing would need to be physically or mentally incapable of self-care, have an income of less than 200 percent themselves of the federal poverty level. This bill not only provides tax relief, but it helps keep people in their homes and is similar to an LB470 that I brought back in 2015. I believe that

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this is an important issue facing our state and an opportunity for wise fiscal investment. We have seen and heard time and time again when dealing with long-term care that keeping people in their homes is both the preferred option for the individual while also being the cheapest option for all those involved. This bill would help thousands of Nebraska families do just that. And with that, I'd ask the committee to advance LB65 to the floor. Thank you. [LB65]

SENATOR SMITH: Thank you, Senator Hansen, for your introduction of LB65. Do we have questions from the committee for Senator Hansen? Senator Friesen. [LB65]

SENATOR FRIESEN: Thank you, Chairman Smith. Senator Hansen, I was just...I was kind of curious. You say here that they have to be physically or mentally incapable of caring for themselves. Is that under a doctor's...do you have to have some sort of authorization somewhere declaring them that, or how do you determine if someone is incapable of caring for themselves? [LB65]

SENATOR HANSEN: My intent was to be brought and include a lot of different symptoms of individuals, but primarily with people who, you know, whether or not it's a physical disability or, you know, in older age, you know, Alzheimer's and those issues. In terms of an actual enforcement mechanism, that's something I'm definitely working with the committee. Be interested in being able to work with the committee on to make sure that this is only going through proper channels. [LB65]

SENATOR FRIESEN: Okay. Thank you. [LB65]

SENATOR SMITH: Senator Schumacher. [LB65]

SENATOR SCHUMACHER: Thank you, Chairman Smith. I just have a couple questions, Senator Hansen. Why is it that you choose to use tax credits instead of affirmative grants or some type of thing that we have under the appropriation process to control. It looks like we're getting in trouble with tax credits, hard to keep track of, why not just a grant program? You apply for it, you fill out a (inaudible), and if you qualify, you get the money. [LB65]

SENATOR HANSEN: Well, if we had a grant program with, I guess, an unlimited base, I would see there would be no functional difference. Any type of benefit of this would be an option you could do when you do your taxes every year which is the decision you did. Otherwise, I would assume if we did an appropriation there would be some sort of a cap that we'd run the risk of. [LB65]

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SENATOR SCHUMACHER: But when it comes to the taxpayers' money, isn't that the reason to having an appropriation so you don't have an unlimited exposure on something? You know, you could say there's just unlimited money available with tax credits, all of a sudden they start sneaking up on you and you get a whole bunch of money that you're short on the budget, and you come up with the kind of problem we have now. [LB65]

SENATOR HANSEN: Sure. I guess in a broader sense, I'm not envious of the job this committee will have to do to look at all the tax cuts that are going to impact our state. I know that's been something that you and others have brought up including, you know, Senator Hadley spoke on it at a Legislative Council retreat. I'm submitting this as a proposal to see if it kind of passes the test and if it's something that would be good on the balance. Certainly, I'm sure, we can each go through a listing and find tax credits we like and didn't like and ones I'd be willing to cut and you'd want to keep and vice versa, and so this is my proposal to the committee. [LB65]

SENATOR SCHUMACHER: One follow-up. You're requiring for the folks in the less than 200 percent category setting it up as a refundable tax credit which basically is the state ends up sending them a check, but to get the check they've got to file a tax...tax return preparers generally don't do it for free and so as a result of that, some of this is going to the tax preparing industry. Again, isn't it easier to have somebody when they're...chances are these people are other state programs, do it through the expenditure side than the revenue side where they have to file a tax return that they've never maybe filed before? [LB65]

SENATOR HANSEN: I suppose it certainly could be. I guess I viewed this as an already established state procedure as opposed to putting it, creating a new program that an agency would have to perform. I don't know if you would put it under DHHS or what you're envisioning. That's something that if that seems to have more support, I'm not opposed to that and if that has more support, I would be willing to look at it more. [LB65]

SENATOR SCHUMACHER: So your object is simply, basically get \$300 in the hands of people who help provide some care to a...in the likely situation it's an elderly relative. [LB65]

SENATOR HANSEN: Absolutely. [LB65]

SENATOR SCHUMACHER: Thank you. [LB65]

SENATOR SMITH: Senator Groene. [LB65]

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SENATOR GROENE: Who defines if this...you're living with somebody that's incapacitated or...I mean, do they have to be on Social Security disability or who defines it? [LB65]

SENATOR HANSEN: I...actually Senator Friesen, I think, had the similar question and then I would be more than happy to work on an appropriate mechanism. I'd even tend to be on the broader end if the purpose of this is to help, you know, individuals who are frankly doing the state a lot of service by providing for their family members. I wanted to give the minimal that came from bureaucracy. I understand that we have to have some... [LB65]

SENATOR GROENE: So I get older and my wife is taking care of me, which happens a lot because...(laughter) already she is, but anyway, she can get \$300 and we've lived together for 50 years, all of a sudden one day she applies that I'm now watching too much television and not moving anymore around. [LB65]

SENATOR HANSEN: It's my intent for it to be at the level where families are determining whether or not to go to a long-term care, to be at that level...that level of... [LB65]

SENATOR GROENE: I'm just curious how and one last quick question because it's getting late, but how did the Fiscal Office come up...when I divided that number \$300, it was 22,000-some-hundred folks. Did you have a chance to look at that, had 24 hours already? [LB65]

SENATOR HANSEN: (Laugh) Yeah, I did have a chance to look at it. I do believe that a similar number that they had come up with the four. I am...cannot speak for how they estimated that. [LB65]

SENATOR GROENE: I just wondered if they told you. Thank you. [LB65]

SENATOR HANSEN: Thank you. [LB65]

SENATOR SMITH: Well, I know Senator Groene's wife would deserve more than \$300. (Laughter) But I know what you're talking about here and I imagine these caregivers probably spend more than that much out of their pockets every year in taking care of...most of the time it's a family member. So I understand your bill and I appreciate you bringing that to us today. I think we'll move on to proponents, and will you remain for closing? [LB65]

SENATOR HANSEN: Yes, I will. Thank you. [LB65]

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SENATOR SMITH: Proponents of LB65. Welcome.

MARK INTERMILL: (Exhibit 1) Good evening, Senator Smith, and members of the Revenue Committee. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, and I'm here today on behalf of AARP. The hour is late, I will briefly go through some of the key numbers in my testimony. I think they may address some of the questions that were raised. We do have 200,000 Nebraskans who are providing care on an informal basis which means they're not being paid for providing care to somebody who has a disability. I have occasion...a support for caregivers. It's a priority of AARP, so I have occasion to go out and speak to groups of caregivers and I was in Hastings talking to a group and I was asking them, what would be the one thing that would help you to be able to continue to be a caregiver? And the first thing I heard was "more money." This is a way to get those caregivers more money. We have...the question came up of, I think, Senator, you raised the cost...out-of-pocket cost the caregivers incur. We just have done a recent report at AARP and found that for living caregivers, which this bill would address, the average out-of-pocket cost is \$8,616 a year. That includes things like supplies, home modifications, transportation to medical appointments, and doesn't include things like for people who have left the work force to be a full-time caregiver, lost wages, lack of opportunity to contribute to a retirement account. That amounted to 29 percent of the average income for that group. And if you do the math, that means that the average income for those living caregivers was about \$30,000 a year. This tends to be an older group. It tends to be spouses taking care of another spouse. It tends to be people in their late '70s and '80s and up. So that's the group that we really would like to address in terms of providing some additional support for their...the efforts that they're providing. And I think it's important to recognize the efforts that they're providing and the value of services that they're providing. We just...our latest report from Genworth about the average cost of nursing home care in Nebraska, it's \$67,525 a year. For a person who enters a nursing home and we're looking...the bill focuses on people who have limited incomes. If they were to enter a nursing home, it would be a short time before they became eligible for Medicaid, so the caregivers are helping us to avoid those Medicaid costs for long-term care. Every day that we avoid...help a person avoid placement in a nursing facility is a day that we avoided spend down to Medicaid eligibility. And that has...we have been successful in containing Medicaid cost in Nebraska especially for this group. Over the last 15 years, Medicaid spending for the 65-plus population, which is primarily long-term care, has grown at an average annual rate of 2.2 percent. Revenue in that period grew about 4.1 percent and if Medicaid costs for people over 65 had grown at the same rate as state revenue, we would have expended an additional \$240 million from the General Fund. This savings has been due in large part to the efforts of caregivers to help those individuals continue to live at home so that we can avoid the placement in nursing homes that leads to additional Medicaid costs. A theme for AARP during the 2017 legislative session--and I will probably be back to comment on other bills before your committee--will be to remind senators to consider the needs of low-income seniors as you develop public policy. There are 11 legislative districts that have at least 2,000 residents who are both over the age of 65 and who

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have an income that is less the 200 percent of the poverty. These folks who are struggling to make ends meet, but in many cases they're also providing care for a person with a disability that allows that person to stay home. Enacting this bill would give about 25,000 caregivers, what I heard from the support group in Hastings is what they need, which is more money. And Mr. Chairman, I'd be happy to try to answer questions. [LB65]

SENATOR SMITH: Thank you, Mr. Intermill. Questions from the committee? I see none. [LB65]

MARK INTERMILL: Thank you. [LB65]

SENATOR SMITH: Thank you. Next proponent of LB65. Any additional proponents of LB65? Seeing none, we move to opponents, those wishing to testify in opposition to LB65. Seeing none. Anyone wishing to testify in a neutral capacity to LB65? Seeing none. Senator Hansen, you're welcome to close on LB65. [LB65]

SENATOR HANSEN: Thank you, Senator Smith, and committee members. I will close briefly by just kind of alluding back to my initial comments of...I know there's going to be a lot of priorities for how we use our tax system and in relation to the compounding of different tax cuts, different tax credits we have this year. I know this might not be the top priority, but this is a priority of mine and I wanted to make sure I shared it with the committee. So with that, I'll close. [LB65]

SENATOR SMITH: Thank you, Senator Hansen. Any further questions? I see none. Thank you. [LB65]

SENATOR HANSEN: Thank you. [LB65]

SENATOR SMITH: That concludes our hearing on LB65. We now move to LB118, Senator Hilkemann. Relates to the adoption of the Education Savings Account and provides for income tax adjustments. Welcome, Senator Hilkemann. [LB65]

SENATOR HILKEMANN: Good afternoon, Chairman Smith, and members of the Revenue Committee. I am Robert Hilkemann, that's R-o-b-e-r-t H-i-l-k-e-m-a-n-n, and I'm proud to represent District 4 in the Nebraska Legislature. I am introducing for your consideration LB118 which would adopt Educational Savings Accounts or ESA accounts. I first heard about ESA accounts while attending the NCSL in Chicago this year. And that discussion sparked my interest. I see in LB118 as an opportunity to help parents and guardians defray some of the cost

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associated with educating their children regardless of whether those children attend private, public, parochial, or home school. The ESA Act would function similarly to the college savings plans we have had in our state for several years. College savings accounts are excellent plans and saving tools to help make post-secondary education possible for many students, but we need to also acknowledge the increasing additional cost to families of educating children from K-12 as well. Overall, the ESA Act interests me because I believe it would, number one, it would provide a tax incentive; secondly, it would provide savings for educational expenses, and the accounts are funded with private dollars, not public dollars as some of the state ESAs do. Most importantly it is open to all people. My three children are all proud graduates of Millard Public Schools. I feel strongly about our public education system in Nebraska and I think it's one of the best in the country. I also respect families who choose to educate their children at home or in a parochial setting. This bill has grabbed the attention of many individuals and groups who care deeply about children and our education system. Some of them may disagree with this bill, but I believe that we all share a common bond of wanting to do what is best for Nebraska families, whether it be a little bit of tax relief, or making the extra cost of educating children a little easier. With all due respect to school choice advocates, I wanted to be on record that I do not support a voucher system. You may hear today that this bill is just that. I respectfully disagree and want to reiterate that my intention is to provide a vehicle to help families defray just some of the costs associated with educating their children. And I wanted to be fair to all, whether it helps to pay for uniforms for children going to St. Wenceslaus Catholic Schools, or uniforms for Millard North High School show choir. I feel strongly that Nebraska families deserve a little bit of help. The technical aspects of the bill allow for a tax deductible contribution of up to \$2,000 per year to deposit it in an ESA in order to provide for the qualified education expenses for the named beneficiary of the account. The bill states that the balance in the account must be fully distributed before the designated beneficiary graduates from high school, but it also provides that an account owner may change the designated beneficiary of an account at any time by notifying the department. Because this is a concept new to me, and not something that was able to be mirrored from another state, I appreciate what...that adjustments and fine tuning may be needed with this bill. I might not even be able to answer all your questions today, but I trust that we can work together, we can find a solution to any issues that might arise. I hope that the committee is willing to listen to those who will follow me today, whether in support or in opposition, so that we may be able to find a way to help Nebraska families. Thank you all for your time and consideration of LB118. [LB118]

SENATOR SMITH: Thank you, Senator Hilkemann. Do we have questions for Senator Hilkemann? Senator Harr. [LB118]

SENATOR HARR: Thank you, and thanks for coming to the Revenue Committee. I think this is your first time here. [LB118]

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SENATOR HILKEMANN: It is my first time here. [LB118]

SENATOR HARR: Well, welcome, sir. It's good to see you. So, we're in tight fiscal times and I was trying...I looked at the fiscal note and I'm sure you have too. And it's \$7,890,000 and by 2020, it's \$8,740,000, a lot. And I don't know if you did the math. And this is interesting because I think...Revenue thinks this is going to be a wildly successful program because \$2,000 is the max, correct? [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR HARR: All right. And our top tax rate is 6.84, correct? [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR HARR: So \$2,000 times 6.84 percent, you get a savings to each family of...this would cost...or save each family \$137. [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR HARR: So by 2020, if I take that \$8,740,000 divided by \$137, they are projecting that 63,795 families will take advantage of that program. So I want to congratulate you on having one of the most popular programs in the entire state. And maybe to say, I see the fiscal note, I think it might be a little high, and I wonder how they came up with that assumption of almost 64,000 families taking advantage of that, if you know. [LB118]

SENATOR HILKEMANN: I do not know exactly. I think that they...I understand that they figure 40,000 recipients is what they initially thought about, I think, for this and I'm not sure where they came up with that number. When I looked at this I was rather stunned by it and I don't look at it as a cost. I look at it as a tax savings for people of the state of Nebraska. And as you well know, as we've been arguing for the last few days, fiscal notes sometimes can be kind of interesting and exactly how they came up with it, I, too, when I saw that, I think that that's far more popular than what it will be, but that's the fiscal note that we're left with. [LB118]

SENATOR HARR: Okay. Well, thank you very much. I appreciate it. Thanks for coming. [LB118]

SENATOR SMITH: Senator Friesen. [LB118]

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SENATOR FRIESEN: Thank you, Chairman Smith. I guess what I'm reading just the, you know, the overview of it here, but the way I read it, each person or entity could make a \$2,000 contribution, so my wife and me could each make a contribution? [LB118]

SENATOR HILKEMANN: You could each make a contribution up to \$2,000. [LB118]

SENATOR FRIESEN: So we could give \$4,000? [LB118]

SENATOR HILKEMANN: No, you can give us to \$2,000 per year to that student. [LB118]

SENATOR FRIESEN: It says each...allows any person. [LB118]

SENATOR HILKEMANN: Yeah, I understand this language may not be completely clear, but it is my intent that there would be a cap on that. [LB118]

SENATOR FRIESEN: Okay. So and this cannot be used for homeschooling? [LB118]

SENATOR HILKEMANN: They could use it for supplies for homeschooling, they could use it for text books, if they...yes, it could be. That's one of the things that I liked about this idea is that it can be used for homeschoolers as well. [LB118]

SENATOR FRIESEN: Okay. I think that's all I have. Thank you. [LB118]

SENATOR HILKEMANN: Thank you. [LB118]

SENATOR SMITH: Senator Schumacher. [LB118]

SENATOR SCHUMACHER: Thank you, Chairman Smith. Just a couple of questions to get them in the record because I...as I look through here I see that they may need work and I may forget when I read the bill when we come to Exec on it. So, the...one of the anomalies I see is that you define financial institution. What appears to me is a bank and savings and loan associations and credit unions, that will sell a CD or some type of a cash investment. But then when I go over to your contribution section it says, contributions shall be only in the form of cash, so you can't stick appreciated stock or something into it. And then such contributions may be invested at the direction of the account holder in stocks, bonds, or mutual funds, things normally not offered by a bank or credit union...as offered by the financial institution. So how does...how does one invest in stock offered by a bank? [LB118]

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SENATOR HILKEMANN: Well, I'm guessing we're looking more at the trust funds that could be available, I think. [LB118]

SENATOR SCHUMACHER: Okay. So this would be invested in your trust that you set up with a bank? [LB118]

SENATOR HILKEMANN: Or the special account that...in other words, I'm sure that the banking industry would be happy to come up with some type of an investment that they can...an instrument for us to put these ESAs in. [LB118]

SENATOR SCHUMACHER: Okay. I think we may have to think that through a little bit, but at least I've got it in the record for now so that we don't forget about the issue. [LB118]

SENATOR HILKEMANN: Okay. [LB118]

SENATOR SCHUMACHER: And so basically, you're making educational expenses...is this per person? So if you've got six kids, you're talking \$12,000. [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR SCHUMACHER: Okay. We're making those expenses whether it's for tennis shoes to play basketball or something like that... [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR SCHUMACHER: Okay. And we're making them deductible. Right now, they're not deductible. [LB118]

SENATOR HILKEMANN: We're making this...we're making that contribution deductible, that's correct. [LB118]

SENATOR SCHUMACHER: And the interest on it. [LB118]

SENATOR HILKEMANN: That would be correct. [LB118]

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SENATOR SCHUMACHER: And where you say "interest" on page 11, obviously, we need to add in there "dividends" if we're allowing stock contributions. [LB118]

SENATOR HILKEMANN: That would be fine. [LB118]

SENATOR SCHUMACHER: All right. I think that covered the areas. I wanted to make sure that we remember. Thank you. [LB118]

SENATOR SMITH: Senator Hilkemann, so this can be used K-12? [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR SMITH: You'd be open to allowing it to be used prior to K, pre-K? [LB118]

SENATOR HILKEMANN: Yes, I would be open to that. [LB118]

SENATOR SMITH: All right. Then also on...so let's say the account owner, their child, something occurs in which they're not able to use it for their child, they can designate another recipient. [LB118]

SENATOR HILKEMANN: That's correct. [LB118]

SENATOR SMITH: And does it have to...it doesn't have to be a family member, there's no restrictions on that, or would there be restrictions on to whom they could transfer it? [LB118]

SENATOR HILKEMANN: They could transfer it to another one...another student, or yes, they could. [LB118]

SENATOR SMITH: It doesn't have to be another child, it can be someone they don't even know if they want to make...help out another family. [LB118]

SENATOR HILKEMANN: That would be correct. [LB118]

SENATOR SMITH: Okay. Very good. Senator Brasch. [LB118]

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SENATOR BRASCH: Thank you, Chairman Smith, and you just brought something to my mind is that children in special needs program that are in public schools, they attend the schools until they're 21. Would that cover someone with special needs as well? I mean, just... [LB118]

SENATOR HILKEMANN: You always have to have questions I don't know the answers to for sure. I'm planning this for... [LB118]

SENATOR BRASCH: Well, I'm...it sounds like a very good bill and I'm thinking about some constituents that have their children still in...they have some special needs that they go through graduation, but they're older than your traditional student, or... [LB118]

SENATOR HILKEMANN: I would be open to having it written to accommodate that population. Absolutely. [LB118]

SENATOR BRASCH: And maybe they do consider it grade 12. I'm not sure, but... [LB118]

SENATOR HILKEMANN: I'm not sure how that works, Senator. [LB118]

SENATOR BRASCH: ...it would just be graduation from secondary school. [LB118]

SENATOR HILKEMANN: Yeah. Many of those would probably be under other special programs already that may not be quite the... [LB118]

SENATOR BRASCH: Okay. Yeah, it's a good bill. Thank you. [LB118]

SENATOR HILKEMANN: Thank you. [LB118]

SENATOR SMITH: Senator Harr, then Senator Groene. [LB118]

SENATOR HARR: Thank you. And just a little follow-up based on some of the other questions that were asked. Do you foresee this to be similar...are you familiar...let me start over. Are you familiar with the NEST program, the Nebraska College Savings Program? [LB118]

SENATOR HILKEMANN: Yes, I am. [LB118]

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SENATOR HARR: Okay. Question one. Since you're familiar with it, do you know how many people participate in that program? [LB118]

SENATOR HILKEMANN: I do not know that answer. [LB118]

SENATOR HARR: Okay. I think that might inform how many people would partake in this program. I think that would be interesting to see the difference. Two, do you see this program similar to the NEST in that you have one bank that everyone invested and then you have a choice option of investment, or do you see each individual going to their bank and saying, I want to open this account similar to, I want to open a CD, because you mentioned trust departments earlier and there isn't a bank that would take a \$2,000 trust, right? And the cost, they may not want to participate in this program unless there's a large enough number. I know we do that with, is it ABLE, it's one bank. I know at NEST we work with one bank. Would you be amenable to say it all goes to one institution so that it's actually cost affordable, because otherwise I'm afraid fees might be up the... [LB118]

SENATOR HILKEMANN: Yeah, I would be fine with that. [LB118]

SENATOR HARR: Okay. Thank you. [LB118]

SENATOR SMITH: Senator Groene. [LB118]

SENATOR GROENE: He stole my question. [LB118]

SENATOR HARR: I apologize. [LB118]

SENATOR SMITH: That's good when we can have a two for one there, so that would be good. All right. (Laughter) Any further questions for Senator Hilkemann? No? We're going to take proponents. Will you remain for closing? [LB118]

SENATOR HILKEMANN: I will. Thank you. [LB118]

SENATOR SMITH: Thank you. Proponents of LB118. Welcome. [LB118]

DOUG KAGAN: (Exhibit 1) Thank you, Senator. Good afternoon. My name is Doug Kagan, 416 South 130 Street, representing Nebraska Taxpayers for Freedom. School choice is one of the great successes of the education reform movement in recent years. Education Savings Accounts

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provide an innovative means to customize K-12 education for parents and students. Families can direct this personal funding to educational programs and services of their choosing. Parents can evaluate educational expenses based on quality and costs, providing a personal approach towards the objective of maximizing individual natural learning abilities. It replaces the one size fits all template approach to students with new ways of customizing schooling to the needs and interests of each individual child. ESAs base on the reasoning that parents are best equipped to make the important decisions about education and ensure dollars spent at a school of their choice. ESAs begin with the idea that a successful primary and secondary education is the foundation of the American dream, that parents are the best stewards of their children's education steered toward success in life. In many instances, parents have nowhere to turn when their children's assigned school fails to meet their needs. All Nebraska residents may qualify. An ESA can finance qualified education expenses for a designated student, all students eligible regardless of family income level. ESAs would install parents, not bureaucrats, in control of education resources. Because it is their personal savings, parents will have reason to look for efficiencies and basic educational programs, the highest values in education. They can use flexibility to create custom-made education plans for their kids, plans to help their children succeed in school. Parents will have financial oversight to ensure that funds become properly used. This option allows parents to find the best learning model for their individual children and control how and when money is spent. School choice programs, including ESAs, will leave the public school system with fewer students to teach and thus lower expenses. Available data show that public schools actually improve the quality of education delivered after choice programs allow parents of previously-trapped students to take their money elsewhere if offered a better experience. Every family should have the opportunity to demand an individually-tailored educational experience from the system. In the school choice environment such as an ESA program, parents act as the ultimate accountability measure by taking their dollars elsewhere when an educational product or school does not benefit their child. Parents can provide better accountability than government regulation or regulators, as the lack of real accountability for results in the traditional public school system can attest. Thank you. [LB118]

SENATOR SMITH: Thank you, Mr. Kagan. Do we have questions for Mr. Kagan? Senator Harr. [LB118]

SENATOR HARR: Thank you. Mr. Kagan, you've been here all day haven't you? [LB118]

DOUG KAGAN: Yes. [LB118]

SENATOR HARR: Okay. Did you hear Senator Hilkemann's opening remarks? [LB118]

DOUG KAGAN: Yes, I did. [LB118]

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SENATOR HARR: Okay. He specifically said this is not a school choice bill. Do you agree with him on that? [LB118]

DOUG KAGAN: Well, it depends on your definition of school choice. ESAs are in a sense a school choice because they can use the \$2,000 to pick a school of their choice and use it towards tuition if they want to. [LB118]

SENATOR HARR: Okay. Appreciate it. Thank you. [LB118]

SENATOR SMITH: Senator Groene. [LB118]

SENATOR GROENE: Thank you, Chairman. Wouldn't this be a lot easier if we just allowed people to deduct commission off of their income taxes? Parents take their 6.78 or 6.84 percent. [LB118]

DOUG KAGAN: Well, that would be an alternative, but... [LB118]

SENATOR GROENE: Well, I mean, well, something like healthcare. I mean... [LB118]

DOUG KAGAN: Yeah, you could do that. [LB118]

SENATOR GROENE: You know it's a job, it's not income if you pay for it yourself. You can't deduct it. It's the same with education. [LB118]

DOUG KAGAN: That would be an alternative although ESAs are spreading around the country. So let's say our first attempt passed in the state of Arizona, so they're gaining in popularity so people must like them. [LB118]

SENATOR GROENE: Assuming there's tax laws, some want to do it that way. Thank you. [LB118]

SENATOR SMITH: Senator Schumacher. [LB118]

SENATOR SCHUMACHER: Thank you, Chairman Smith. Found what I was looking for here. Assuming a standard deduction for exemptions I think, if I can read my note here, some...a family of \$115,000 pays 4.16 percent effective rate of taxation, not the 6.84 percent. So the amount of savings on this \$2,000 is now down to eighty bucks, but if you do happen to be well

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enough off and you are in the 6. or close to 6.94 percent bracket...6.84 percent, then you're going to get a little bit more and this is weighted toward the wealthier taxpayers a bit. [LB118]

DOUG KAGAN: That's the way the state tax code is written, I guess. [LB118]

SENATOR SCHUMACHER: Yeah, yeah, so do you see any income category where we should cut this off at? There's...if you've got more than \$120,000 a year, is a hundred dollars going to make much difference? [LB118]

DOUG KAGAN: I wouldn't have a cut-off line because parents, no matter what their social economic status is, they no matter where they live, they should have the same choice as everybody else. [LB118]

SENATOR SCHUMACHER: But as we get down to the median income of not \$120,000 or a little over \$100,000 that I was talking about, around \$50,000, then that effective rate of tax is much less than the 4 percent and we're starting...in that category we're starting to not get very much benefit from this while we're giving the upper taxpayer, you know, maybe the full 6.84 percent. [LB118]

DOUG KAGAN: I don't think that's a defect in the system, I think it's a defect in our income tax brackets. [LB118]

SENATOR SCHUMACHER: But that is...you agree that is the effect in... [LB118]

DOUG KAGAN: Well, that is the effect currently, yes. [LB118]

SENATOR SCHUMACHER: Okay. Thank you. [LB118]

SENATOR SMITH: Seeing no further questions for you, Mr. Kagan, thank you for your testimony. [LB118]

DOUG KAGAN: Okay. Thank you, Senator. [LB118]

SENATOR SMITH: Next proponent of LB118. Welcome. [LB118]

DEB ANDREWS: Thank you. My name is Deb Andrews, D-e-b A-n-d-r-e-w-s. I support LB118 and all legislation that helps empower parents to educate their children. My student learning

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advocacy was prompted 25 years ago by my son's horrific experience in Westside School. He loved learning and that was a bad fit. He was targeted for abuse, placed with the slow groups, and bullied by teachers and students alike. At my final meeting with the education professionals, I was told my son's behavior had deteriorated because he spent too much time at home after school on his computer. We did not own a computer 25 years ago. I pulled him from Westside and enrolled him in Council Bluffs Public Schools. It was before the casinos had come to town and Council Bluffs was a very poor district. They had to wring every penny out of every dollar. The curriculum was old, yet very effective. The schools were old, yet immaculately maintained. As a result, my child started college half days at age 13. His first class was organic chemistry. He began doing research for NASA at age 14 and presented the results of his research to the Nebraska Academy of Sciences at age 15. I spoke out about our experiences at Westside Schools. I received a two-page certified letter threatening me with legal action if I failed to cease and desist talking...excuse me, telling the truth about Westside Schools. I failed to comply and my life changed after that. Ten years ago I found out learning failure was much worse than I had imagined. Children are not being taught how to read, teachers don't know how. The research is readily available and I know Senator Harr is very interested in research. Reading in the Brain details that, it's by Stanislas Dehaene and the National Council on Teacher Quality explains that teacher preparation is not aligned with the reading research. This is intentional. Despite children are entering school smarter than ever before, that research is available and the book, The Rising Curve, by the American Psychological Association and edited by Neisser, just about one-third of Nebraska and America's children are proficient in reading and math, the foundation for all higher level learning and reason and logic. Heroin and opioid abuse has exploded. Employers lament competency is retiring with the baby boomers. Professors at UNL sadly proclaim STEM graduate classes and labs are a sea of Chinese faces, and I quote from him. The reason being the professor told me that Americans are too lazy to work and study hard. It's an easier excuse than saying they use their computers too much after school. Courts in Lincoln ruled school was not at fault when a kindergartener was sexually assaulted in the bathroom by a stranger during the school day. Courts in Lincoln ruled the school determines curriculum, not the parents even if they have expert analysis on best practices suitable for their handicapped child. In Lincoln Public Schools an autistic child was placed in solitary confinement without the parents' knowledge. That lawsuit is pending. In Lincoln Public Schools children that are not compliant are sent to behavior schools. Violent children with serious behavior issues attend regular schools. An extended unprovoked lunchroom beating sent a 12-year-old to the hospital with a brain injury and concussion. That lawsuit also is pending. After 20 years, I have come to realize our schools are more Gulag Archipelago than learning environment. My son was able to be saved because I had the finances and the time that made it possible. All parents should have that option. Enactment of legislation to put parents in charge of their children's education will go a long way to save our country socially, civilly, and economically. I hope you will support LB118 and all other legislation which empowers parents to guide their student's education. Be glad to answer questions. [LB118]

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SENATOR SMITH: Thank you, Ms. Andrews. Do we have questions for Ms. Andrews? I see none. Thank you. Next proponent of LB118. Welcome. [LB118]

DAVID LOSTROH: Thank you. Senator Smith, and members of the Revenue Committee, my name is David Lostroh, D-a-v-i-d L-o-s-t-r-o-h. I serve as board member and legislative liaison for the Nebraska Christian Home Educators Association, an organization that advocates, encourages, and supports home education. We're a proponent of LB118. We'd like to thank Senator Hilkemann for clearly intending this bill to benefit all schools including exempt schools. And you know, there's up to \$2,000 per student per year and the thing I like about this bill is that like everybody else, we have homeschoolers who struggle to pay for the costs. We may not have tuition per se and so this still allows for other costs besides tuition. Lorraine and I homeschooled for 30 years. We have nine children and we had a lot more after we left Platte County, Senator Schumacher. (Laughter) So even though there was no tuition these other costs that still apply are in this bill, which I like. It would also allow a struggling family to have money contributed to the account if they're struggling to meet the \$2,000 for other family members, grandparents, really anybody to help out, there would be some encouragement for them to do that because of the tax breaks for the contributors. It also would be a tax break for the contribution by the family for each one. I recognize that the financial state of Nebraska needs to be considered in all these things so I won't comment on that because I don't have to figure it out and you do. So you have a very difficult job ahead of you to do that. So I respect that, but I'm just saying that we would have used that. I'm sure we have lots of families that would benefit from LB118 should it come into law somehow. So with that, thank you. [LB118]

SENATOR SMITH: (Exhibits 2, 3, 4) Thank you for your testimony. Questions? I see none. Thank you very much. Other proponents of LB118? Seeing no additional proponents, we move...oh, we do have some letters for the record. Let me read those in. Sent letters in in support of LB118: Susan Gumm representing Omaha, Nebraska; Nate Grasz representing Nebraska Family Alliance; and Tom Venzor representing Nebraska Catholic Conference, all sent letters in in support of LB118. We now move to opponents, those wishing to testify in opposition to LB118. Opponents? Welcome. [LB118]

CONNIE DUNCAN: (Exhibit 5) I guess, good evening. Senator Smith, and members of the Revenue Committee, my name is Connie Duncan, spelled C-o-n-n-i-e D-u-n-c-a-n. I am here today representing Lincoln Public Schools where I serve on the Board of Education. I offer testimony today in opposition to LB118. LB118 establishes the Education Savings Account Act. The Education Savings Account Act provides provisions to establish a savings account to pay for K-12 education. Contributions up to \$2,000 per year per account and interest earned reduce the contributors' income for tax purposes. The Education Savings Account Act reduces income tax revenue. Provisions that erode revenue are of great concern. Revenue reduction decisions are the primary reason we are currently facing a budget shortfall. One question I ask is, can Nebraska

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afford to pay for two systems of education? The Constitution requires one, a public system where every child who walks in the door is served. Our schools are achieving at high levels. For example, according to the ACT, The Condition of College & Career Readiness 2016 report of states testing over 80 percent of graduates, Nebraska has the highest average composite score, 21.4. Of the states in the top third for participation in the ACT, Nebraska ranks first in composite scores by almost a full point. Last year 2,351 juniors took the ACT and scored an average composite score of 20.7. Children across the state not only have access to high quality public schools but a strong system of public school choice. The Nebraska option enrollment system allows students and families to select and make choices about where to attend public schools. Strong systems of in-district schools choice exist. In LPS, students have access to a school permit process to select a traditional school within our district other than their attendance area school, if desired. In addition, at the high school level, LPS provides a Science Focus Program, an Arts and Humanities Focus Program, an International Baccalaureate Program, and a Career Academy with 16 career pathways. I believe not advancing LB118 and maintaining the revenue to invest in public education is the best path ahead for Nebraska's children. And I welcome your questions. [LB118]

SENATOR SMITH: Thank you, Ms. Duncan. Do we have questions for Ms. Duncan? Senator Groene. [LB118]

SENATOR GROENE: First, I really appreciate you coming. [LB118]

CONNIE DUNCAN: Thank you. [LB118]

SENATOR GROENE: Elected officials actually sitting in front of us instead of a lobbyist. I appreciate that. [LB118]

CONNIE DUNCAN: I hear I'm a brave soul. (Laughter) And I've been sitting here for four hours. [LB118]

SENATOR GROENE: That's really brave stuff listening to the lectures you heard. Anyway, no, do you really think it matters? We're not really in competition are we? Can't you be a proponent of private schools and also be a proponent of public schools? [LB118]

CONNIE DUNCAN: I can be. [LB118]

SENATOR GROENE: It isn't really an either/or situation, is it, for most of us? [LB118]

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CONNIE DUNCAN: I can be. You know, my children went to the Lutheran Schools from middle school, but as you pointed out, we drove a Mercedes. I paid for it. I paid \$7,500 out of my own pocket. But my children also went to the Entrepreneurship Focus Program for the public schools. But I still paid my full price for the Lincoln Schools. So they went to the Lutheran Schools for two hours a day and they went to the LPS Schools for six hours. [LB118]

SENATOR GROENE: That was through high school? [LB118]

CONNIE DUNCAN: That was in high school. But I made that choice because I had that choice in Lincoln, Nebraska, and I still paid the full price. [LB118]

SENATOR GROENE: Thank you. So you're a proponent of both is what you're saying? [LB118]

CONNIE DUNCAN: I am. The public school is free and we have the best public schools in Nebraska. [LB118]

SENATOR GROENE: I would argue, it's free. I've paid a lot of taxes in my life. (Laughter) And you have too, apparently. [LB118]

CONNIE DUNCAN: I have to and I'm more than willing to pay those so that we can have strong schools. [LB118]

SENATOR SMITH: Other questions for Ms. Duncan? Seeing none, thank you. [LB118]

CONNIE DUNCAN: You're welcome. [LB118]

SENATOR SMITH: Next opponent with LB118. Welcome. [LB118]

LARRY SCHERER: (Exhibit 6) Thank you. Senator Smith, members of the Revenue Committee, for the record my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, representing the Nebraska State Education Association. We're also opposed to this bill for philosophical reasons of public schools should be funded first and that obligation met in an adequate way before looking at providing options. And again, as Ms. Duncan said, the choice is there and I'm a big believer in parochial schools myself. As I said I was on one of those boards. My daughter went...teaches in one. Our kids didn't go to public schools but benefited greatly by being a member of our church and school system. So, you know, I don't want to take any time because

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it's getting late, but it's the same philosophy. It's a fairly small tax deduction and whether it's very strong incentive or not, it's the philosophy of the thing for our membership. Thank you. [LB118]

SENATOR SMITH: Thank you, Mr. Scherer. Questions for Mr. Scherer? I see none. Thank you. [LB118]

LARRY SCHERER: Thank you. [LB118]

SENATOR SMITH: Anyone else wishing to testify in opposition to LB118? [LB118]

ANN HUNTER-PIRTLE: (Exhibit 7) Thank you, Senator Smith, members of the committee. My name is Ann Hunter-Pirtle, A-n-n H-u-n-t-e-r-P-i-r-t-l-e. I'm the executive director of Stand For Schools testifying in opposition to LB118. We appreciate Senator Hilkemann's intent with this bill but we believe it would have some negative unintended consequences. LB118 would establish education savings accounts that would reduce federal adjusted gross income or AGI by the amount of those contributions to and interest earned by an education savings account any person, firm, partnership, LLC, association, or corporation could contribute up to \$2,000 per calendar year in cash to an account. We've discussed the legislative fiscal analyst estimates that that resulting change in federal AGI would cost the state \$7.8 million next year; \$8.3 million in 2019-20; and \$8.7 million in 2020-21. Stand For Schools opposes LB118 because by reducing adjusted gross income, the state would diminish the funds available in the General Fund for priorities, including public education and could transfer funds toward private education expenses. Meanwhile, LB118 would do nothing to address the state's overreliance on property taxes to fund our public schools. So rather than investing something on the order of \$8 million per year toward a mixture in public and private education expenses, we believe that funding would be better utilized if it went toward property tax relief by better funding public schools from the state level. Stand For Schools supports solutions that help families save for education expenses, but we believe that with the state facing a nearly \$1 billion budget shortfall, now is not the time to divert funding that could be used for public schools toward private educational expenses. Thank you. [LB118]

SENATOR SMITH: Questions from the committee? I see none. Thank you. [LB118]

ANN HUNTER-PIRTLE: Thank you. [LB118]

SENATOR SMITH: Welcome. [LB118]

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RENEE FRY: (Exhibit 8) Thank you. Good evening, Chairman Smith and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. I'm here today to testify in opposition to LB118. We oppose this legislation for several reasons. First, the legislation is likely to primarily benefit wealthier Nebraskans. In Wisconsin where taxpayers can take a deduction for private school tuition, for example, Wisconsin Department of Revenue found that tax filers making over \$100,000 or the top 13 percent of Wisconsin earners, were claiming two-thirds of the tax credit. Furthermore, almost half of Nebraskans, 46 percent, struggle to save even \$400 for an emergency expense, let alone have the up-front money to contribute to a savings account for education expenses. As LB118 is structured, it is higher income families that will benefit the most, even though that they are the least likely to need the financial assistance. Health Savings Accounts, for example, are similarly structured, and research shows high-income individuals are most likely to max out their HSA contributions. LB118 is new spending through the tax code. When we pass new tax expenditures, they are put on autopilot and don't have the transparency and scrutiny that a traditional spending program does through the biennial appropriations process. LB118 has no limit on the total cost to the state, and no sunset, so it can keep growing and growing and become an unnoticed drain on state revenue. We have an almost \$900 million budget shortfall this upcoming biennium, and this would drain more state resources at a time that the current budget proposal doesn't fully fund K-12 funding in our formula. We have been putting more and more responsibility to fund K-12 on property taxpayers when the number one recommendation of the Tax Modernization Committee was to reduce property taxes by increasing state aid to schools. Adding another tax expenditure to the tax code would not appear to be a fiscally sound move at this time. I thank you for your time and be happy to answer questions. [LB118]

SENATOR SMITH: Questions for Ms. Fry? Senator Schumacher. [LB118]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony, Ms. Fry. Do you happen to know what the effective tax rate is on somebody making the median income, about \$52,000 a year? [LB118]

RENEE FRY: I want to say it's about 2 to 3 percent. [LB118]

SENATOR SCHUMACHER: That would be after all the deductions and everything else? [LB118]

RENEE FRY: Yeah, according to the Department of Revenue. I have to look at the Tax Burden Study, they have the effective tax rates there, but I want to say it's in the range of 2 to 3 percent. [LB118]

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SENATOR SCHUMACHER: So we're talking, if you're guesstimate is correct there, savings per family per year of about \$40 to \$60. What would be the effect of just changing the...if we were going to make this tax expenditure, just changing the personal exemptions rate so that you wouldn't have to go down to the bank and open something for forty bucks? [LB118]

RENEE FRY: Yeah. Yeah, I mean, I think the intent would be different. I mean that would be a question for Senator Hilke. That certainly would be much easier and I guess it depends on the intent, right? So if the intent is to help lower-income families or middle-income families, it would make sense to restructure it. I'd have to think about the different mechanisms you would want to utilize, but certainly changing personal exemptions would get at that. [LB118]

SENATOR SCHUMACHER: Okay. Thank you. [LB118]

SENATOR SMITH: Other questions for Ms. Fry? Senator Groene. [LB118]

SENATOR GROENE: I appreciate you keep bringing up the number one tax study. Keep reminding folks that we pay too much property taxes towards public education. But this is a hard question, but pick your poison when you're for this one or the one for the poor kids and the scholarships. [LB118]

RENEE FRY: Which one would I... [LB118]

SENATOR GROENE: The LB295. I believe it's LB295. [LB118]

RENEE FRY: So if you told me we have to pass one of them, which one...or which is the lesser of two evils, this would be the lesser of two evils. [LB118]

SENATOR GROENE: It would be. [LB118]

RENEE FRY: Yeah, you missed my testimony in the previous. [LB118]

SENATOR GROENE: Yeah, I figured you did testify. But you testify negative to both, I just wondered what was the strong or negative anyway. [LB118]

RENEE FRY: Yeah, the other bill definitely. I mean, you can make money off of it. [LB118]

SENATOR GROENE: Is it the dollar amount? [LB118]

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RENEE FRY: Well, that, and you can make money off the other program. A donor can actually net income. [LB118]

SENATOR GROENE: All right. [LB118]

RENEE FRY: So I would say that is the worst of the two bills. [LB118]

SENATOR GROENE: Just wondering where you were coming from. Thank you. [LB118]

RENEE FRY: Sure. [LB118]

SENATOR SMITH: Further questions? Seeing none, thank you. [LB118]

RENEE FRY: Thank you. [LB118]

SENATOR SMITH: Anyone else wishing to testify in opposition to LB118? Seeing no one else in opposition. We move to those in a neutral capacity. Anyone wishing to testify in a neutral capacity? Neutral? Welcome. [LB118]

JAMES SAZAMA: Good evening, Senators, it's been a long day. I wasn't going to say anything. I've been sitting here most of the day today. We got here about 9:00 this morning, but I've listened to a lot of comments from a lot of different people here. Now, I'm a retired inspector, airplane type guy, and we have some grandkids, grandma and I do, and it's just appalling to me to see what the difference... [LB118]

SENATOR SMITH: May I stop you for just a moment. Can you give us your name and spell it for us for the record. [LB118]

JAMES SAZAMA: Sure. I just spelled that out, but I'll be happy to do that for this deal. Jim Sazama, that's spelled S-a-z-a-m-a and I reside at 9161 Charles Street, Omaha, 68114. My bride and I have been renting our house from the county for many years now. Okay. Thank you. Getting back to this deal, our kids, it's amazing the difference between our kids in Kansas City, Omaha, and Colorado of the...and they're all less than ten years of age. Their knowledge skills and whatnot out here and their behavioral attitudes. The kids in Colorado go to a parochial school and they're very well-disciplined and whatnot and the other ones go to more of a liberal school and they...it's amazing because grandma and I tried to work some of these math problems with them and other things. And I don't know where all this is coming from today, but you know

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I walked to school, farm kid, years ago, and I see a lot of buses running around Omaha hauling kids sometimes there's three kids on a bus, sometimes there are 20 kids on a bus. We're spending virtually millions of dollars, taxpayers dollars on what we got today. I go to Westlake Hardware just like you folks do to buy things and you'll give them cash. You might give them a few extra pennies or whatever and so you want all bills back and our young people today in their early 20's do not even know how to count. They can't count change and I think it's really pathetic what our school system has come to here. I have a neighbor in our neighborhood that teaches at a school at OPS, in Omaha, and she spends 90 percent of her time disciplining the kids in the classroom. She does not have time to teach the kids to read and write and arithmetic. Now, we need to do something with our education here. You guys are tasked with how much money you want...I've heard a lot of people today all wanting money out here, all wanting money. Now there's an end to this. We need to stop spending, but that's tough. Who do you tell that they're not going to get any money and who is going to get the money, but we need to fix this. I heard people, you know, they want to protect the public school system and whatnot, that's great, but let's get people in there and get some discipline in our schools, reading, writing, and arithmetic. You know that's pretty dang basic out here. But I sat here all day listening to this and I wasn't going to say anything, just pack up and go home here. We're down here for other things, but I just heard enough so I had to get up here and say something. Now do you guys have any questions of me? [LB118]

SENATOR SMITH: Questions for Mr. Sazama? [LB118]

JAMES SAZAMA: Got to have one question. [LB118]

SENATOR GROENE: I'll ask him. Where did your kids go to school, Westside? [LB118]

JAMES SAZAMA: Our three daughters. My bride gave us three daughters and they attended Burke High School. [LB118]

SENATOR GROENE: Burke. [LB118]

JAMES SAZAMA: Burke. Yep, and I was up there numerous times because we had some disciplinary (inaudible) and I'd go up and talk to Mrs. Burmood (was her name) and sit on her desk and whatnot because we had some discipline issues out there and I also coached girl's fast-pitch softball at Burke. I wasn't a faculty member, but I could still be on the staff there. [LB118]

SENATOR GROENE: Do you think the problem could be it's cheaper to teach a child how to think than to tell them what to think? [LB118]

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JAMES SAZAMA: Well, you know it's amazing, sir, that's...I'm glad you're asking this here because it's good to have a little dialogue. We have twin granddaughters in Omaha and grandma likes to spend time over there. But you know something? I see all three of our daughters reading to our grandkids every night. They go to bed and that's the protocol. I mean that's what they do. They lay in bed and they read. We have colors, paintings, and they learn how to do things. Sadly, enough here, you know back in 1964 some of you people are old enough to remember that time period, we passed Equal Opportunity Act in 1964 when we said we're going to do things for people out here and we gave them money for this. How come you're not...who controls the light? [LB118]

SENATOR SMITH: Because we're in the Q&A right now. We're asking questions, so we're not using the lights right now. [LB118]

JAMES SAZAMA: Okay. Good. Thank you. But we need to get some educational back in the homes, you know, the families. We've lost a lot of that in today's world. [LB118]

SENATOR SMITH: Thank you for your testimony today. Senator Harr, did you have a... [LB118]

SENATOR HARR: No, no, I was thinking. [LB118]

SENATOR SMITH: (Exhibits 9, 10) All right. Thank you for your testimony. I failed to read a couple of letters into the record in opposition to LB118. We had Amy Miller representing the ACLU of Nebraska, and Jami Jo Thompson representing Norfolk Public Schools. Both sent letters in, in opposition. We've concluded the neutral testimony and now we ask Senator Hilkemann if he'd like to close on LB118. [LB118]

SENATOR HILKEMANN: Thank you. As I mentioned in my opening, my intentions with this is to provide a way to help families to defray some of the extra costs associated with educating their children. Maybe those expenses are special computer software for homework, distance education class, or college entrance exams. Things that can help those kids be more successful every day and a better chance of success in their future. Giving our children a well-rounded educational experience continues to come at a great expense to Nebraska families. The squeeze is certainly on for the middle-class families who work every day to do more with less. The families in my district, people I talk to at the door, at events in the churches, want the best for their kids and so do I. They want their tax dollars spent wisely and so do I. And they want their state to find some commonsense solutions to the challenges we face. So I've introduced LB118 for them. I'm bringing this idea forward and the framework. I'll be happy to work with you as far

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finding solutions to make this work and it's going to be a program that will provide just a little bit of tax relief for Nebraska families. Thank you. [LB118]

SENATOR SMITH: Thank you, Senator Hilkeemann. Remaining questions for Senator Hilkeemann? I see none. That concludes our hearing on LB118 and our hearings for the day. [LB118]